

Pressure Is Mounting On Yeltsin to Resign Or Share His Powers

See RUSSIA, Page 7

One Quickly Charged in Kenya Blast

Compiled by Our Staff From Dispatches

The federal complaint alleges Mr. Owhali along with

See SUSPECTS, Page 4

Andorra.....	10.00 FF	Lebanon.....	LL 3,000
Antilles.....	12.50 FF	Morocco.....	18 Dh
Cameroon.....	1,600 CFA	Oman.....	10.00 QR
Egypt.....	EE 5.50	Réunion.....	12.50 FF
France.....	10.00 FF	Saudi Arabia.....	10 SR
Gabon.....	1,100 CFA	Senegal.....	1,100 CFA
Italy.....	2,800 Lire	Spain.....	225 Ptas
Ivory Coast.....	1,250 CFA	Tunisia.....	1,250 Din
Jordan.....	1,250 JD	U.A.E.....	10.00 Dh
Kuwait.....	700 Fils	U.S. Mil. (Eur.)	\$1.20



Russians waiting to enter a bank in Moscow on Thursday in hopes of withdrawing savings.

Malaysian Data Leave No Room for Denials

See MALAYSIA. Page 17

Korea Slump 'Full-Blown' After 6.6% Quarterly Fall

See KOREA. Page 17

On Page 12, a Closer Look at Fallout From the Turmoil

- The collapse in emerging markets – the Thai baht, Poland and Russia – has wiped out years of gains. The plunge over the last year outranks that of the Mexican peso crisis of 1994-95 and the Gulf War of 1990-91.
- Investors on a 'flight to quality' are turning to U.S. bonds, whose yields have fallen to their lowest levels in almost 30 years.
- Dismal fund returns have left investors in a quandary: Bail out now and avoid more bloodletting? Or tough out the downturn, and maybe even use it as an opportunity to buy at bargain-basement prices?
- Latin American markets are being beaten up by distant events. Analysts are lowering what had been healthy growth estimates.

Inspector Quits, Calling Iraq Searches a 'Farce'

backed "at least implicitly by the United States." He made his resignation letter public Wednesday in an effort to force the United States and the

See INSURE/TOR, Page 1

Nazi-Era Slave Laborers to Sue German Companies

FRANKFURT — A New York lawyer who has successfully pressed legal cases linked to the Holocaust against Swiss banks said Thursday that he would file a sweeping class-action lawsuit in the United States on Monday against 16 German industrial companies seeking damages on behalf of wartime slave laborers.

The suit — which names Volkswagen AG, Siemens AG, Daimler-Benz AG, BMW AG, Krupp-Hoesch AG and others — is the latest move to put German companies under unprecedented legal and political pressure to pay compensation to Nazi-era victims and their heirs. Already, the question of compensation for slave laborers has become a feature in the German national elections, which will be held next month.

will be filed in federal and state courts in California, includes named claimants now living in the United States who were, for the most part, born in Eastern Europe and then forced to work in German factories during World War II.

The general practice of forced labor during the war is not in dispute. An estimated 8 million workers were involved, in both factories and on farms, though most are now deceased.

Eager to shield themselves from

The historian Christopher Kopper, son of the chairman of Deutsche Bank's supervisory board, in recent weeks has

See LAWSUITS, Page 7

Fears Over Moscow Meltdown Send Bourses Plummeting; Dow Takes Biggest Hit of Year

















and Commerzbank AG were also lower, though not as much. Credit Suisse lost almost 10 percent of its value, falling

See MARKETS, Page 14

The Dollar		
New York	Thursday @ 4 P.M.	previous close
DM	1.7957	1.8068
Yen	141.8	144.22
FF	8.025	6.055
Pound	1.655	1.637
<i>Dollars per pound</i>		

The Dow		
	Thursday close	percent change
↓	357.36	-4.19%
S&P 500		
↓	41.68	-3.94%
Nasdaq		
↓	81.72	-4.62%

Tumbling Markets

Index:	Thursday	Year-to-date
Japan		
S. Korea		
Malaysia		
Germany		
Britain		
Russia		
Brazil		
Mexico		

Source: Bloomberg

AGENDA

Libya Still Hedges On Bomb Suspects

Another 3 Climbers

Another 3 Climbers Die on Mont Blanc

CHAMONIX, France (AFP) — French rescue police on Thursday warned climbers off Mont Blanc, western Europe's highest mountain, after three more climbers fell to their deaths from an easy route made treacherous by freezing rain.

The three — two French nationals and a Czech — fell as two roped climbing parties passed one other.

Books Page 5.

Crossword..... Page 9.
Opinion Pages 8-9.
Sports Pages 20-21.

The Intermarket **Page 6.**

Winner of Booker Prize / Author Provokes Harsh Criticism With Essay

A Message to India: No Thanks, No Nukes

By Barry Bearak
New York Times Service

NEW DELHI — With their pride still measured in megatons, and with a strut still in their step after showing they can explode bombs with the best of them, most of India's elite did not want one of their own telling them that "the air is thick with ugliness and there's an unmistakable stench of fascism in the air."

Worse yet, she told them that the world now knows "what a tired, broken-hearted people we are," a people so in need of a booster shot of self-esteem that "we set up this craven clamoring to be admitted to the club of superpowers."

These severe assessments came from Arundhati Roy, who ascended into international literary stardom last year with her first novel, "The God of Small Things" (Random House). A best-seller in India, America, Britain and elsewhere, it won the coveted Booker prize. Indians were proud of her global renown.

But early this month, a haunting 8,000-word essay by Ms. Roy, "The End of Imagination," appeared as the cover story in two popular Indian news magazines. Deeply personal, poetical and unsparingly harsh, it lambasted the nation's main political parties and called the bomb a "final act of betrayal by a ruling class that has failed its people."

India has long had a small, if spirited, anti-nuclear movement. While others may have shown a more steadfast devotion to the cause, the *carriers* these days mostly seem to follow the better-known Ms. Roy, 38. She has spoken at peace rallies in New Delhi, Bombay and Madras, and last week she risked her first personal appearance at a place she expected to be hostile — her alma mater, the Delhi School of Planning and Architecture.

In 1981, she was a fledgling architect, emotionally at war with a college she considered stodgy and stifling. Although she was trained as an architect, she has made her livelihood in other ways.

INVITED NOW by a student group, she walked tentatively into the circular art studio. A crowd of 150, most of them students seated cross-legged on the floor, were fighting an indoor heat that had them wilting like parched house plants. They greeted her without applause.

"I'm not a public speaker and I don't trust myself to extemporize much," she began apologetically. But she had prepared no speech. Instead, she said, she would show them a British documentary about radiation poisoning of people who live near India's nuclear power plants.

Then she would read excerpts from her long essay. Finally, she would take questions.

"Nuclear weapons pervade our thinking," she read. "Control our behavior. Administer our so-



India has long had a small, if spirited, anti-nuclear movement. Its star now is Arundhati Roy, 38, the winner of the Booker Prize.

cieties. Inform our dreams. They bury themselves like meat hooks deep in the base of our brains. They are purveyors of madness. They are the ultimate colonizer. Whiter than any white man that ever lived. The very heart of whiteness."

She went on: "If protesting against having a nuclear bomb implanted in my brain is anti-Hindu and anti-national, then I secede. I hereby declare myself an independent, mobile republic. I am a citizen of the earth. I own no territory. I have no flag."

She criticized the United States for bringing nuclear terror into the world, but then said that India's decision in May to test nuclear weapons forfeited its claim to higher ground.

"We're the ones who have abandoned what was arguably a moral position: We have the technology, we can make the bombs if we want to, but we won't. We don't believe in them."

The audience had been politely silent, some of them awaiting their chance to respond. Sandeep Sudhakaran, 19, was the first to stand up.

"If Pakistan has a bomb, then we should have a bomb," he said heatedly. "The only way New Delhi can assure itself of not being destroyed is to have a bomb."

Applause for the student was at least equal to that given the writer. Ms. Roy frowned. "Here I am in a den of hawks," she said.

Criticism of her essay has been harsh. People have called her naive, sentimental, unpatriotic. They accuse her of using her writing talent for political objectives and of airing India's dirty laundry.

The essay has already been reprinted in Pakistan, England and Germany and translated into Hindi, Marathi, Tamil, Malayalam and other Indian languages.

"Why is it so convenient for her to bash India when the world is a ready audience, all ready to break into applause at anti-India rhetoric?" wrote a newspaper columnist, Shobori Ganguly. "It is intriguing that Roy should articulate the arguments of hand-picked Western peaceniks, who are enormously comfortable with India as the land of snake-charmers and fakirs."

MS. ROY, WHO lives in New Delhi, says there is no way to answer such complaints: To her, the arguments for nuclear morality do not breathe the same air as nuclear realpolitik. There is no room for discussion, just the recognition of right and wrong. Her opinions are nonnegotiable.

As other students at the architecture school questioned her reasoning — and her motives — she grew exasperated. "You keep saying that nuclear technology is here to stay," she said. "I say, well, so are we who are here to oppose it."

When the two-and-a-half-hour session was over, Ms. Roy had seemed to make few converts. Even her great admirers, those who stayed late to ask for an autograph or simply to get closer, expressed their reservations about what she had said. Why had she shown them a British documentary, with a "white woman" doing the narration? How could she question the right of popularly elected officials to make nuclear policy?

Mohet Kumar, 23, a student clearly enamored of the guest celebrity, followed her to the door, saying that, of course, she was right and, of course, he agreed with much that she said.

But there was something bothering him, a question that he, like so many of his friends, could not get past. "How would you feel if Pakistan had the bomb and we did not?" he asked. "How would a person be expected to feel then?"

Once again, the writer frowned.

U.S. Repeatedly Blocked UN Inspections in Iraq

By Barton Gelfman
Washington Post Service

WASHINGTON — The Clinton administration has intervened repeatedly since autumn to delay or prevent intrusive weapons inspections in Iraq by United Nations teams, according to American and diplomatic accounts.

The interventions included at least six occasions, beginning in November 1997, in which Secretary of State Madeleine Albright or other top administration officials sought — with success in each case but one — to persuade the chief UN inspector, Richard Butler, to rescind orders for surprise searches or to remove a controversial inspector.

Since the first report surfaced this month of the administration's efforts to restrain the special commission, Mrs. Albright has complained angrily to associates that she was portrayed as unprincipled or soft on Iraq. In private conversations, according to accounts of those present, she argued that the administration sought only to control the pace of confrontation with Iraq to create the best conditions in which to prevail.

The efforts to restrain searches conflicted with robust public rhetoric in support of the right of the special commission, known as Unscorm, to make what Mrs. Albright often called "unfettered, unconditional inspections," and coincided with military threats.

Undersecretary of State Thomas Pickering said in a telephone interview that any mere list of U.S. interventions to restrain the special commission "misses the point of context and a great deal of what was happening in and around the process that clearly informed our decisions."

In an interview, Mr. Butler deflected direct questions about specific American attempts to influence the commission's work, but acknowledged unspecified instances of intervention in his operational decisions.

"I have received representations about how I should conduct this work, sometimes with quite specific aspects, including the identity of the chief inspector, from multiple sources," he said. "Representations of views on such subjects by the United States were certainly not the only ones I received. A number of members of the Security Council have views on the same subjects and felt happy in coming to me with those views, and sometimes expressing them very strongly. I've sometimes felt strongly in the sense that I was being threatened."

U.S. efforts to restrain the most provocative of Mr. Butler's inspections began Nov. 22, 1997, according to individuals with knowledge of the events and according to supporting documents.

In October 1997 Iraq had expelled all American nationals on the inspection teams. The Clinton administration, though well aware of what it called "sanctions fatigue" among its allies, was stunned nonetheless by the weakness of the Security Council's reply: On Nov. 12, in Resolution 1137, the council voted only to limit international travel by a handful of Iraqi officials. For a brief period, Iraq allowed inspectors to return, and Mr. Butler dispatched a team that arrived in Baghdad on Nov. 21 and 22.

Mr. Butler had signed confidential orders for a no-notice inspection Nov. 23 of the former headquarters of the 3d Battalion of the Special Republican Guard. Following a standard procedure that neither the special commission nor Washington officially acknowledges, Mr. Butler's senior staff briefed a liaison officer from the Central Intelligence Agency on the target, sources said.

Mrs. Albright telephoned Mr. Butler,

sources said, urging him to delay the operation.

Around midnight at the special commission's headquarters in Iraq, the inspection team received new orders from Mr. Butler aborting its mission. Soon afterward, Mr. Butler issued guidance to his senior staff ruling out new inspections until further notice at the Special Security Organization, Special Republican Guard, Republican Guard or any other Iraqi site designated "sensitive" by the Baghdad government.

To keep ahead of the inspectors, Iraq moves forbidden weapons components and the documents describing them every 30 days, and it conducts drills to evacuate or destroy evidence on 15 minutes' notice, sources said. It has proved difficult for inspectors to move as quickly.

On Dec. 16, Mr. Butler signed written orders for an aggressive program of surprise inspections.

Following the orders, Scott Ritter, the leader of Unscorm 218, the team assigned to the inspections, left Baghdad for Baghdad. On Dec. 18, he conducted the first of his no-notice inspections — and was met with outrage by Iraqi officials.

At about that time, the U.S. government began pressing Mr. Butler to

'I've sometimes felt strongly in the sense that I was being threatened.'

cancel the rest of the intrusive inspections, according to officials.

Later Dec. 18, Mr. Butler telephoned Mr. Ritter and rescinded his remaining inspection orders.

The following month, when Mr. Ritter returned with a subsequent team, Unscorm 227, Iraq again halted the commission's work, on Jan. 12.

Mr. Butler had signed new search orders for Jan. 16, but on Jan. 15, Bill Richardson, then the chief U.S. delegate to the United Nations, called Mr. Butler to his office in Manhattan and asked him to withdraw Mr. Ritter from Iraq.

Mr. Butler complied immediately. Mr. Ritter left Baghdad ahead of schedule, but read a statement drafted for him in New York and Washington portraying his departure as routine.

After an American military and diplomatic buildup, Iraq agreed Feb. 23 to unrestricted access for inspectors and a new set of special procedures at eight so-called presidential sites. The secretary-general of the United Nations, Kofi Annan, who had negotiated the deal with Iraq, urged Mr. Butler not to send Mr. Ritter — as he planned — in the first inspections testing that agreement.

Mrs. Albright telephoned Mr. Butler around that time, sources said, with similar advice. Mr. Butler dispatched Mr. Ritter anyway, and Mrs. Albright telephoned again March 2 with a more forceful restatement of the U.S. objection.

The same day, the Security Council passed the U.S.-drafted resolution promising "severe consequences" if Iraq failed to keep its promises.

On March 3, Mr. Butler relieved Mr. Ritter of command. But after Mr. Ritter's four senior subordinates sent Mr. Butler a fax protesting the decision, Mr. Butler reversed himself.

In March, the United States and Britain withdrew crucial elements of the intelligence support that allowed the special commission to observe Iraqi concealment efforts as they happened during surprise inspections.

In August, additional inspections were aborted.

Libya Said to Ask for Delay in Extraditing 2 Suspects

Compiled by Our Staff From Dispatches

CAIRO — Libya is asking for a delay in handing over two suspects in the 1988 bombing of a Pan Am airliner over Scotland, but it is sticking to its agreement to allow them to be tried in the Netherlands, an Arab League official said Thursday.

Deputy Secretary-General Ahmed ben Hilli said the government of the Libyan leader, Moammar Gadhafi, "only needs some time" to prepare for the men's transfer.

He did not specify how long that might be.

Mr. ben Hilli said Ahmed Adel, a senior aide to the Arab League's secretary-general, Esmat Abdel Meguid, had passed the Libyan request for postponement to Wayne Neill, a senior U.S. diplomat in Cairo.

The Middle East News Agency quoted Mr. Adel as saying after his meeting with Mr. Neill that Libya needed more time "to study the procedures and receive some more clarifications."

A spokesman for the U.S. Embassy in Cairo confirmed that Mr. Neill and Mr. Adel had met but would give no details of the talks.

"It is imperative to give Libya more time," the news agency said, quoting Mr. Adel.

Mr. ben Hilli said Libya wanted to work out "practical procedures" to extradite the suspects.

"We think this should not be a problem as long as the Libyans accept the proposal," Mr. ben Hilli said. "There should be no dictation and no conditions."

The destruction of the Pan Am Boeing 747 killed 259 people on the plane and 11 on the ground.

On Wednesday, the Libyan Foreign Ministry announced "its acceptance of the development in the positions of the governments of the United Kingdom and the United States."

But a Foreign Ministry statement stopped short of committing Libya to turning over the suspects — Abdel Bassem Ali Megrahi and Lamin Khalifa Fhimah. (APR. Reuters. AP)

Lawyer Sees No Trial for a Year

The Scottish lawyer acting for two Libyans accused in the bombing said Thursday that he did not expect a trial for at least a year and noted that the pair had not agreed to leave Libya, Reuters reported from London.

Alistair Duff, acting for the accused pair, said: "If I was given facilities to begin preparing the case today, I cannot imagine I would be in a position to proceed with the trial before at least a year from now."

Mr. Duff, speaking on BBC Radio, said the two had not agreed to leave Libya. "I know they have not," he said.

Mr. Duff did not see the Libyan statement as an unqualified acceptance of the proposal by London and Washington.

"It seems to me nothing more than a very polite statement that this will be looked at positively," he said.

"It will be given the interest it deserves, which is a fairly loaded way of putting it. It seemed to me a typically polite Arab way of approaching a public statement."

TRAVEL UPDATE

JAL Adds Flights as Northwest Cuts

TOKYO (Bloomberg) — Japan Airlines said Thursday it would add nine flights to make up for some of those canceled by Northwest Airlines Inc., as the U.S. carrier's pilots prepared to strike.

JAL will provide seven extra flights between Honolulu and Tokyo or Osaka and two extra flights between Los Angeles and Tokyo, from Friday to Monday, the airline said.

The flights will be limited to Northwest passengers, with no seats sold to other travelers, said Geoffrey Tudor, a spokesman for the airline.

Europe Flight Delays at 9-Year High

BRUSSELS (Reuters) — Flight delays at European airports hit a nine-year peak in June, the organization representing the continent's flag carriers said on Thursday.

The Association of European Airlines, to which 27 European airlines belong, urged politicians to act to improve air-traffic control. The association advocates a single control system for Europe.

In June, the association said, 29.1 percent of all flights of the association's member carriers were delayed on departure by more than 15 minutes.

Istanbul Subway's First Track Laid

ISTANBUL (AFP) — The mayor of Istanbul, Recep Tayyip Erdogan, on Thursday welded down the first rail for a subway system that is being built by a French-led consortium.

The first stretch, an 8-kilometer (5-mile) line between Taksim Square and the Levent district, is due to be operational by next year. It is expected to carry about 70,000 passengers an hour.

WEATHER

Forecast for Saturday through Monday, as provided by AccuWeather.

Europe				North America				Asia			
City	Today	High	Low	City	Today	High	Low	City	Today	High	Low
Amsterdam	15/20	15	10	Atlanta	14/27	14	10	Beijing	24/30	24	16
London	12/18	12	8	Boston	15/25	15	10	Bombay	28/32	28	20
Paris	14/20	14	10	Chicago	16/26	16	11	Calcutta	29/33	29	21
Rome	16/22	16	12	Dallas	17/27	17	12	Chengdu	26/30	26	18
Stockholm	10/16	10	6	Denver	18/28	18	13	Colombo	27/31	27	19
Tokyo	18/24	18	14	Houston	19/29	19	14	Delhi	28/32	28	20
Washington	13/19	13	9	Los Angeles	20/30	20	15	Dhaka	29/33	29	21
				Madrid	21/31	21	16	Hong Kong	27/31	27	19
				Moscow	16/22	16	11	Kobe	25/29	25	17
				New York	17/27	17	12	Manila	26/30	26	18
				San Francisco	18/28	18	13	Osaka	24/28	24	16
				Seattle	19/29	19	14	Seoul	23/27	23	15
				Singapore	26/30	26	18	Taipei	24/28	24	16
				Tokyo	21/31	21	16	Tel Aviv	28/32	28	20
				Washington	22/32	22	17	Yokohama	25/29	25	17

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GREAT BRITAIN	2.50	0.83	67%
HONG KONG	2.50	0.83	67%
ITALY	2.50	0.83	67%
JAPAN	145.00	50.00	65%
KOREA	20.00	6.66	66%
NETHERLANDS	1.50	0.50	66%
NEW ZEALAND	1.50	0.50	66%
SPAIN	11.00	3.66	66%
SWEDEN	2.50	0.83	67%
SWITZERLAND	2.50	0.83	67%
USA	2.50	0.83	67%

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THE AMERICAS

Clinton Appears in Public but Ignores 'The Issue'



Mr. Clinton boarding his plane on Thursday for a short flight to Worcester.

WORCESTER, Massachusetts — President Bill Clinton left his vacation retreat on Martha's Vineyard on Thursday to introduce a new guide to help prevent school violence. Despite pressure from his advisers and influential Democratic Party leaders, he did not speak out again about the controversy engulfing his presidency.

Mr. Clinton, in his first public appearance since admitting an inappropriate relationship with Monica Lewinsky, said the education guide would "help schools recognize a troubled and potentially violent young person."

Mr. Clinton, who interrupted his vacation to deliver the speech, got a warm airport welcome from high school students who were given the morning off school. Massachusetts' two Democratic U.S. senators and four Democratic congressmen turned out to greet him as well.

But there were reminders of the Lewinsky investigation wherever he went. As the president's motorcade traveled along Pleasant Street, bystanders waved and smiled but one held up a sign that said, "Mr. Clinton, time to resign."

Signs held above the crowd outside the hall where Mr. Clinton spoke registered opinions both pro and con. Two of the latter read, "Liar. Cheat. Resign," and "You lied to the Am people and defamed those who called you to account."

Advisers Tell Him to Say More

John F. Morris of The Washington Post reported earlier from Edgartown, Massachusetts.

President Clinton's political advisers have reached virtually unanimous agreement that he must say more publicly about his relationship with Ms. Lewinsky, sources said, but they have so far yet to win agreement from a reluctant first family on a strategy for halting erosion in Democratic support for the president.

Democrats who have been campaigning during the congressional recess fear the president's acknowledgment that he deceived the nation about his relationship with the former White House intern could harm the party in the fall elections and that Mr. Clinton's problems are obscuring nearly all efforts to communicate a positive Democratic message.

Mr. Clinton, who aides said has been on the phone regularly with Democratic lawmakers in recent days, is looking for ways to win back the support he lost following his Aug. 17 address.

Clinton advisers are discussing possible forums where the president could discuss the controversy at greater length, showing more of the humility and contrition that many said was missing from last week's speech.

One leading possibility, among several, is for Mr. Clinton to talk about the matter before a previously scheduled breakfast with religious leaders on Sept.

11, advisers said. But these sources noted that Mr. Clinton has given no commitments, and cautioned that the first lady, Hillary Rodham Clinton, may be opposed in having the president say more.

The opinion among political advisers, both on and off the White House staff, that Mr. Clinton must say more reflected their deepening anxiety that Democrats are taking flight from the president just as he most needs them to come to his aid for an impending showdown with the independent counsel, Kenneth Starr, who is preparing a report on his investigation of the president to send to Congress.

On Wednesday, Senator Russell Feingold, a Wisconsin Democrat, told local law enforcement officials in Milwaukee that "we have to determine whether the president can restore his credibility with the American people or whether he should consider an alternative."

Later in an interview, Mr. Feingold said he was not recommending that Mr. Clinton resign, but that he "consider that one of a series of options that may be necessary if it's not possible to have the confidence of the American people."

Asked whether he thought it was possible for Mr. Clinton to repair his credibility after misleading people for seven months about whether he had a sexual relationship with Ms. Lewinsky, Mr. Feingold said: "I don't know. I think

it's difficult but possible. Very difficult."

Mr. Feingold's dire assessment came a day after pointed remarks by both House minority leader, Richard Gephardt of Missouri and the chairman of the Democratic National Committee, Roy Romer, which made plain that despite Mr. Clinton's plea for the nation to "move on," the issue is going to haunt the White House unless Mr. Clinton does more to put questions to rest.

Even the Americans for Democratic Action, a longtime liberal organization, issued a statement condemning Mr. Clinton and charging that he "chose to abuse his power."

The White House was most alarmed by Mr. Gephardt's open speculation on Tuesday about the possibility of impeachment.

The report that Mr. Starr is planning to send to Congress within weeks may require lawmakers to "make a judgment on whether or not he should be expelled from office," Mr. Gephardt said.

The White House chief of staff, Erskine Bowles, who in recent days has joined the damage-control effort after months of delegating this job to others, phoned the minority leader to express concern, White House officials and Mr. Gephardt said.

While not stepping aside from his earlier comments, Mr. Gephardt emphasized that he supported Mr. Clinton.

Reno Reopens Investigation of Gore's Fund-Raising

By David Johnston
New York Times Service

WASHINGTON — Attorney General Janet Reno on Thursday advanced a significant step closer toward deciding whether to ask for an independent prosecutor to investigate the role of Vice President Al Gore in fund-raising for the 1996 campaign.

Ms. Reno ordered a 90-day preliminary inquiry into whether Mr. Gore lied to investigators last year when he was initially interviewed about his telephone solicitations to donors from the White House.

Referring to the statute that created the office of the independent prosecutor, she said in a statement Thursday, "The authors of the act established a preliminary investigation period to allow us to ensure that any decision to appoint an independent counsel would be based on thorough analysis. During the preliminary investigation, I will consider the facts and I will consider the law, but I will consider nothing else."

A spokesperson for the vice president, Chris Lebane, said Thursday: "The vice president will continue to cooperate fully with the Department of Justice. While we understand the need for the Justice Department to

complete its preliminary review, we are confident it will once again conclude that everything the vice president did was legal and proper."

The investigation into Mr. Gore's fund-raising calls was reopened after the White House produced a 1995 memo last month that suggested Mr. Gore and other Democratic campaign officials had discussed how the money he solicited would be used.

In addition, investigators in recent days have interviewed several of the participants at the meeting, who have indicated that Mr. Gore could have known that some of the proceeds from his fund-raising would be funneled into direct re-election efforts — which could be illegal, the officials said.

If Ms. Reno determines at the end of the three-month investigation that there is evidence that Mr. Gore misled investigators, she will be obligated under the independent counsel law to refer the case to an outside prosecutor.

Ms. Reno has reached this stage before in deliberating whether to seek an independent prosecutor to examine Mr. Gore's fund-raising. Some officials doubted that her decision to reopen the inquiry indicated that she would ultimately seek an independent

prosecutor into campaign finance abuses — suggesting that the evidence against Mr. Gore is insubstantial.

Others said that Ms. Reno was unpredictable on such issues and could go forward with the appointment.

For more than 18 months, the attorney general has refused to request that an independent counsel look into campaign finance irregularities in the face of angry Republican denunciations that she has covered up for the White House and has shielded President Bill Clinton and Mr. Gore from possible prosecution.

Her decision on the 90-day preliminary inquiry was contained in a formal notification to the three-member panel of appellate judges who actually select independent counsels. Nevertheless, Republicans attacked Ms. Reno for focusing on only one of the numerous allegations of wrongdoing and for setting up a timetable that will delay a decision until November, after congressional elections.

An independent counsel is a must for the entire campaign fund-raising investigation," said Dan Burton, a Republican House member who represents Indiana and is chairman of the Government Reform and Oversight Committee. His panel voted this

month to cite Ms. Reno with contempt for refusing to provide lawmakers with a memo from Charles La Bella, the former head of her campaign finance unit, recommending the appointment of an independent prosecutor.

To Democrats her action again raised the specter of yet another independent prosecutor who could be appointed to investigate an administration already battered by an inquiry by another independent counsel, Kenneth Starr, into Mr. Clinton's relationship with Monica Lewinsky, a former White House intern.

An independent prosecutor investigating even a seemingly narrow issue like the vice president's phone calls could lead to a wider examination of alleged campaign finance abuses. Such an inquiry could take years, exacting a political and legal toll in an embarrassing, costly and disruptive process that could distract the Democratic Party through the 2000 presidential campaign.

At issue is whether Mr. Gore knew that any of the 46 calls he made from the vice president's office raised money that in part was diverted to Democratic Party "hard money" accounts, which can be used to directly support candidates.



Todd Long, a North Carolina firefighter, pulling a tree limb felled by the storm.

Hurricane Loses Its Punch

But North Carolina Faces Risk of Severe Floods

The Associated Press

WILMINGTON, North Carolina — The hurricane designated Bonnie was downgraded Thursday to a tropical storm as it poured a torrent of heavy rain on parts of eastern North Carolina, threatening severe flooding as it moved slowly across the state's coastal plain.

Since coming ashore Wednesday with winds of 115 miles (185 kilometers) per hour, the hurricane slowed to a crawl and gradually lost strength. Thursday morning, its sustained wind was down to 65 mph, dropping below the minimum hurricane strength of 74 mph.

There were no reports of widespread damage, injuries or deaths, though nearly a half a million people had been ordered to evacuate in North and South Carolina. Nearly 400,000 customers lost power in the two states. Tornadoes in Beaufort and Tyrrell counties caused only scattered damage.

"We could not be more relieved this morning," Richard Moore, North Carolina's secretary of crime control and public safety, said at a briefing Thursday.

But there was a possibility the storm could drop up to 16 inches (40 centimeters) of rain, forecasters said.

Heavy rain fell Thursday morning in New Bern and Morehead City, but the rain had trailed off to a drizzle at Wilmington, near the spot where the hurricane roared ashore. Wilmington had collected 9 inches and Jacksonville had 10.4. Weather reporting equipment in some other towns along the storm's path had been knocked out by the wind.

"I was thinking, why us?" said Dr. William Salling, a Wrightsville Beach dentist, as he removed plywood covering his living room windows Thursday. "Why not us? We're better at it than anyone else."

While severe flooding was still only a threat, the Neuse River was already out of its banks Thursday at New Bern, near the central North Carolina coast. Many streets were impassable and 770 people were in shelters, said Woody Maness, Craven County's assistant director of emergency services.

The hurricane's eye, the calm at the

storm's center, came ashore at Cape Fear at 2 P.M. Wednesday. Initial reports from Wrightsville Beach, east of Wilmington, showed only slight damage — at least compared with that of two years ago when the area was hit by hurricanes designated Bertha and Fran, one after the other.

But the fire department chief, Everett Ward, said some homes and businesses had water 18 inches deep.

"This storm was a breeze compared to Fran," said Jobany French, a construction worker. "It's probably half what the other one was, not even close."

That hurricane plowed through the middle of the state in September 1996 with 115 mph winds, causing \$5.2 billion in damage and 24 deaths.

The other 1996 hurricane, in July, also had 115 mph winds, causing nine deaths and an estimated \$250 million damage.

South Carolina got a glancing blow Thursday from the storm's edge and had scattered roof damage.

Governor David Beasley lifted an evacuation order for coastal Horry County.

In North Carolina, the police chief in Wrightsville Beach, Joe Noble, said about a dozen people were cited for violating a 24-hour curfew, including one man who posed as a federal disaster official and led a group of reporters on a tour of the flooded island.

An insurance salesman, Jay Lowe of Irving, Texas, tried to stick it out and videotape the storm. By Wednesday afternoon, he gave up and drove to Norfolk, Virginia, for a night's sleep before heading home.

"I stayed there as long as I could, but it never would do much but stall," Mr. Lowe said. "I thought it was a great storm, as storms go. I'd loved to have had a better defined eye and whatnot. But at the same time, it gave me a good ride."

Elsewhere, a hurricane designated Danielle was over the Atlantic, about 300 miles northeast of the northern Leeward Islands. It was moving toward the west-northwest at 18 mph with winds of about 90 mph and was expected to strengthen.

Forecasters said it was too early to tell whether this hurricane would threaten the U.S. mainland.

Clinton Critic Decries 'Character Assassination'

WASHINGTON — Representative Paul McClellan of Pennsylvania, the only Democrat on Capitol Hill to call for President Bill Clinton to resign, said it was "repulsive" for a presidential ally to have leaked false charges about Mr. McClellan's military decorations.

"A defense of the president ought not involve character assassination," he said.

The controversy surfaced Monday when NBC's Geraldo Rivera said he "just got a call from my source very close to President Clinton, who reminded me that there was a controversy in terms of the medals [Mr. McClellan] won in the armed forces of the United States. He was indeed a, what was it, a Bronze Star winner, but maybe he claimed to something even more honorable than that."

The problem: Mr. McClellan does not have a

Bronze Star and never claimed to have been awarded one, or any higher military honor.

Mr. McClellan said a White House official called him late Wednesday to say that "the president apologized for the attack on my character" and "the president would ever have approved this kind of attack." Mr. McClellan said he accepted the apology. Mr. Rivera has also apologized. (W/P)

The Lewinsky Issue Arises In California Senate Race

LOS ANGELES — With a new poll showing their contest a virtual dead heat, Senator Barbara Boxer and state Treasurer Matt Fong traded jabs over abortion, the death penalty and President Bill Clinton's relationship with Monica Lewinsky.

Mr. Fong, a Republican, repeatedly sought Wednesday to paint Ms. Boxer, the Democratic incumbent, as a hypocrite for having been rel-

atively circumspect in her initial comments about accusations that Mr. Clinton was involved with the former White House intern, while having strongly criticized Republicans like former Senator Bob Packwood and Justice Clarence Thomas over allegations of sexual harassment.

"Barbara, your silence on this issue is deafening," Mr. Fong declared at the beginning of the first face-to-face encounter of their campaign, an hour-long debate at a television station here in which the first three questions from a panel of journalists involved the Lewinsky matter.

It was the most pointed exchange so far in a race that national political analysts are watching for signs of potential fallout from the president's admission of the relationship last week.

But Ms. Boxer, whose daughter, Nicole, is married to Hillary Rodham Clinton's brother Tony, sought to blunt the attack, saying: "What the president did was wrong," and adding, "He should have stepped forward sooner and taken responsibility." (NYT)

Away From Politics

• Despite complaints from animal rights activists, General Mills will go ahead with distribution of Wheaties cereal boxes featuring the champion fisherman Denny Brauer. The group People for the Ethical Treatment of Animals had demanded that it pull the boxes, arguing that fishing is cruel and requires no great physical skill. (AP)

• A facility that reforms hard-core juveniles through boot camp-style training lost its license in Phoenix, Arizona, after a state investigation found that workers contributed to the death of a California teenager who was forced to do exercises while suffering from a lung infection. (AP)

• A homeless cancer patient was charged in Los Angeles with attempted murder after allegedly mailing deadly cyanide to a nurse and social worker. She was arrested while pouring poison into envelopes and carrying a "hit list" with 100 names. (Reuters)

• A killer set free after 23 years in prison in part because of his claims of valor in Vietnam was arrested after Massachusetts officials learned that he had spent his war years at a desk job. Joseph Yandle had been released by the governor at the time, William Weld, after he told reporters that his crime was fueled by an addiction to heroin brought on by a tour of duty on the battlefield. (AP)

• A 43-year-old man was executed by injection in Huntsville, Texas, for the murder of a man who stumbled into a 1988 kidnapping plot that also left a woman and her 3-year-old son dead. (AP)

New U.S. Rocket Fails First Flight

New York Times Service

CAPE CANAVERAL, Florida — An unmanned new rocket carrying an advanced communications satellite exploded here less than 90 seconds after liftoff.

The cause of the accident was not immediately explained.

The launching, at 9:17 P.M. Wednesday, was the maiden flight for a new version of the Delta rocket, redesigned by Boeing Co. to carry twice the payload of the old version.

The accident came only two weeks after a government spy satellite exploded here shortly after takeoff, dealing a blow to the nation's space reconnaissance.

The Delta family of rockets has been in use for decades. The new type, Delta III, was designed to carry a payload of about 8,400 pounds (3,820 kilograms).

The payload was a Galaxy X communications satellite built by the Hughes Electronics unit of the General Motors Corp.

The satellite had been built for use by the PanAmSat Corp., based in Greenwich, Connecticut, which intended to sell time on the satellite to cable television and telecommunications companies.

A similar satellite, Galaxy IV failed in the spring, cutting paper links to many of the millions of pa-

ging customers throughout the United States. The Galaxy X was not designed as a direct replacement for the Galaxy IV.

Hughes and Boeing declined immediate comment about the latest failure.

Daniel Marcus, a spokesman for PanAmSat, said that the satellite was fully insured and that the company planned to proceed in three weeks with a launching in French Guiana by the European space agency.

PanAmSat executives said the cost of building, launching and insuring the rocket and communication satellite was \$200 million to \$250 million.

Northwest's Hub Cities Would Take Heaviest Blow From a Strike

By Laurence Zuckerman
New York Times Service

NEW YORK — If the pilots at Northwest Airlines go on strike this weekend, it will be the first time a major airline has been shut down in the age of so-called fortress hubs — the big metropolitan airports that are dominated by a single carrier.

In the last five years, the major domestic carriers have largely retreated from direct competition with one another, focusing instead on routing passengers through a handful of hub airports that they all but control.

Houston and Cleveland while Delta Air Lines dominates Atlanta and Cincinnati and United Airlines dominates Denver. But no major carrier has a tighter stranglehold on its hub airports than Northwest.

In Detroit, Minneapolis and Memphis, Northwest controls 75 to 82 percent of all airplane seats, according to a study by Lehman Brothers Inc. released this year. That dominance makes Northwest's role so crucial to the regions it serves that the prospect of a strike, to many state and local officials, is practically unthinkable.

"Obviously," said Alfred Kahn, the Carter administration official who

presided over the airline industry's deregulation in 1978, "the more and more communities become dependent exclusively on a single provider, the more the public interest cannot become indifferent to a strike."

This raises the question of whether the government would permit a lengthy airline strike, or any strike at all.

Both Northwest executives and the Air Line Pilots Association say they hope to one day to find out. Indeed, the chances of a strike seemed to fade slightly Wednesday as one person who was briefed on the negotiations said the two sides had made significant progress, with the key issue of pay unresolved.

But Northwest announced Wednesday that it was canceling 400 flights Friday and Saturday in preparation for a strike if a settlement was not reached by 12:01 A.M. Saturday, the deadline set by the pilots.

Last year, President Bill Clinton stepped in minutes after 9,300 pilots at American Airlines walked out, invoking his authority under the 1926 Railway Labor Act to force the pilots back to work for 60 days while a presidential emergency board tried to broker a settlement.

This was the first time that a president had halted an airline strike since 1966. Many people believe that it will be

difficult for Mr. Clinton not to intervene if Northwest stops flying because the economic repercussions, particularly for the upper Midwest, would be as bad or worse than those faced when American went on strike.

So far, the White House is being coy about its plans in an attempt to force both sides to settle. Administration officials have even told Northwest executives not to count on intervention.

But if the pilots do strike, Mr. Clinton may be forced to act. Although Northwest, which is the country's fourth-largest airline, is much smaller than American Airlines, the No. 2 airline, it has a tighter grip on its hubs.

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INTERNATIONAL

Kabila's Forces and Rebels Battle Near Kinshasa Airport

KINSHASA, Congo — Forces loyal to President Laurent Kabila fought rebels Thursday on the edge of the Democratic Republic of the Congo's capital, engaging pockets of resistance not far from the airport, witnesses said.

Heavy weapons fire could be heard during the afternoon.

But as on Wednesday, when the sound of artillery barrages echoed over the city for much of the day, witnesses reported no sign of rebel activity at the international airport itself.

After a night of relative calm, Interior Minister Gaetan Kakudji said he expected the military situation to become clearer during the day.

Regarding rebels that were still fighting, he said, "There are still some small pockets."

Later, Mr. Kakudji said that there was fighting up to eight kilometers (five miles) away from the airport, in the direction of the city. As he spoke, the

firing of mortar and automatic weapons could be heard beyond the airport, which is 25 kilometers from the city center.

Mr. Kakudji said that the fact that the area was populated explained the delay in overcoming isolated groups of rebels.

"Our armed forces are progressing with much caution, which means that the operation is lasting longer than first thought," he said.

"It won't last too long," he said, adding that rebels were firing on loyalist forces and had heavy weapons.

Residents of the sprawling eastern suburb of Masina reported skirmishing there, with government forces and civilians combining to flush out the rebels.

One civilian said by telephone that government forces had been deployed in large numbers in the suburb. Firing could be heard in the background as he spoke.

"The local population is very much

against them," he said of the rebels, adding that there appeared to have been fresh infiltrations after dawn.

Mr. Kakudji also said the rebels appeared to have been trying to reinforce.

The Masina resident reported that up to 10 rebels had been beaten to death by the local population.

Witnesses and state radio reported lynchings of suspected rebels and also said that several had been beaten or burned to death in different parts of the city of more than five million people.

Kinshasa's streets were emptier than usual, with a heavy military deployment across the city, numerous checkpoints and rigorous searches of vehicles and their occupants.

Security was particularly tight near Mr. Kabila's residence, the Marble Palace, in Binza in the southwest of the city.

Mr. Kabila, who had accused Rwanda and Uganda of invading in support of rebels who took up arms against him on Aug. 2, returned to the city Tuesday after

spending just over a week in his southern home province, Katanga.

State radio began its regular daily news bulletins as usual at 6 A.M. as the city emerged from its first night of a curfew.

Rebels holding a dam at Inga, in western Congo, have cut off power to the city.

The curfew, which starts at 6 P.M., was to continue until further notice.

Congolese and Zimbabwean forces earlier blocked a rebel advance on the road approaching Kinshasa from the southwest.

Angolan troops entered the conflict over the weekend and captured the rebels' rear base in Kitona, at the tip of the Congo River corridor that links Kinshasa to the sea. The Angolans forces then began advancing on the rebels from the rear. They have also recaptured the naval base at Banana, the oil town of Muanda and the smaller port of Boma.

207 Massacred, Vatican Reports

The Vatican's missionary service said Thursday that the death toll in a weekend

massacre in eastern Congo had risen to 207 and could go higher. The Associated Press reported from Vatican City.

The Vatican service initially reported 37 dead in the attack on a Roman Catholic mission crowded with refugees. The attackers were identified as ethnic Tutu.

On Thursday, the Vatican service, Fides, and an Italian missionary news service, Misna, issued the revised toll and said more bodies may be found in the bush.

Father Albanese, a Misna spokesman, said the killers first attacked a local chief, Mwami Mubeza, and his family, then went to the mission, where a Mass had just finished. Some of the victims were decapitated, he said.

A total of 37 people died in the church, including a priest, three nuns and a seminarian student. Then the attackers continued their rampage in surrounding villages and hamlets, Father Albanese said, citing missionaries in the region.

BRIEFLY
Baghdad Is Asked
Of Reporter's Fate

PARIS — The World Association of Newspapers on Thursday called on the Iraqi government to say what happened to an Iraqi journalist who was arrested last month after writing articles about corruption.

Dawoud Farhan, who wrote for Iraqi newspapers and for the Middle East News Agency of Cairo, was taken from his office at the Information Ministry in July, Egyptian editors and Iraqi dissidents have said.

Mr. Farhan was deputy chairman of the Iraqi Journalists Union. The chairman is Odeh Hussein, the son of President Saddam Hussein.

Editors at the news agency in Cairo said they did not believe that Mr. Farhan's arrest was related to his work with the agency. (AP)

British Diplomats
Will Leave Sudan

LONDON — The government ordered the temporary withdrawal of its diplomats from Sudan on Thursday in response to a decision by Sudan three days ago to recall its ambassador from London.

Sudan recalled its senior diplomatic staff from London to protest British support for the U.S. attack last week on a pharmaceutical factory in Khartoum.

The Foreign Office said that some of the British Embassy staff would be moved from Khartoum to Nairobi, and that British-sponsored aid work would not be affected.

On Saturday in Khartoum, an angry crowd reacting to the American missile attack threw stones at the British Embassy and tore down its flag. (AFP)

Belizean Elections
Draw Big Turnout

BELIZE CITY — Voters turned out in large numbers on Thursday in a national election dominated by charges of graft and onerous taxes.

With voters choosing a prime minister and a new Parliament, officials expected a turnout of around 70 percent of the country's 300,000 registered voters.

Thursday's election was the fourth since Belize, formerly British Honduras, won its independence in 1981. The country has a total population of about 200,000.

The two contending political parties are both considered centrist. (Reuters)

For the Record

President Carlos Menem of Argentina has authorized the extradition to Croatia of Esperanza Sakic, the wife of a former concentration camp commander, on charges that she committed atrocities, legal officials said on Wednesday. (Reuters)

Tel Aviv Bomb Injures 20,
Rattling City After Respite

Device Filled With Nails Explodes in Trash Can

By Lee Hockstader
Washington Post Service

TEL AVIV — A small bomb packed with nails and hidden in a trash can exploded in the commercial heart of Tel Aviv on Thursday, injuring more than 20 people and rattling a city that had suffered no such incident in 18 months.

Israeli police immediately called the bomb a terrorist attack and said Palestinian militants were responsible for the 8:40 A.M. blast, which blew out windows in shops and apartments on a busy street near the Great Synagogue.

The Islamic group Hamas, which has taken responsibility for attacks on Israelis in the past, denied any involvement, and the police said they had no suspects.

One woman was seriously injured in the explosion, but the other injuries were described as relatively minor.

SUSPECTS:
2 Are Flown to U.S.

Continued from Page 1

others "deliberately and with malice aforethought" carried out the fatal bombing.

The complaint alleges the scheme began in March and that on the day of the explosion, Mr. Owahli threw a "small, grenade-like device" toward a guard outside the embassy in Nairobi.

Prosecutors said that the defendant was contacted in Nairobi by Kenyan officials. At the time, he appeared to have suffered lacerations and abrasions about the hands and face as well as a large wound on his back.

He was arrested and subjected to intensive questioning.

The complaint says that he had been trained in explosives at a number of Afghan sites, including some affiliated with the facility set up by Osama bin Laden, a renegade Saudi millionaire.

The United States fired cruise missiles at what it called "terrorist" training camps in Afghanistan and a pharmaceutical plant in the Sudanese capital of Khartoum in retaliation for the bombings it blamed on Mr. bin Laden.

The defendant allegedly said he was aware of a statement by the International Islamic Front signed by Mr. bin Laden and others saying that it was proper to kill Americans worldwide.

The complaint alleges that he confessed that while being treated at a local hospital he threw away two keys that fit the padlock on the rear of the bomb-laden vehicle, and also discarded three bullets for a gun that he had left behind in the vehicle.

Mr. Odeh was arrested in Pakistan on the day of the embassy blast, after he had arrived in Karachi traveling with a forged passport.

He was interrogated and then deported to Kenya.

The FBI director, Louis Freeh, praised the cooperative efforts of law enforcement counterparts in Kenya and Tanzania, saying that while "all three countries share grave losses, the suffering of Kenya and Tanzania have been enormous."

Secretary of State Madeleine Albright added that "We will not be intimidated by terror" and that "we are determined that sooner or later, one way or other, terrorists will be held accountable for their crimes."

During a brief court hearing on Thursday afternoon, Magistrate Judge Sharon Grubin ordered that Mr. Owahli be detained pending a Sept. 28 court appearance.

He listened over earphones to an Arabic interpreter, nodded his head and said "yes" to several perfunctory questions from the judge, who read him his rights.

Mr. Owahli had been identified as having come from Yemen but officials in that country on the Arabian Peninsula denied it.

Mr. Odeh was arrested on the day of the bombing in Karachi, Pakistan, and had been held by Kenyan authorities since Aug. 14.

Mr. Odeh is said to be either a Jordanian or Palestinian in origin, who lived in Kenya and obtained Kenyan citizenship in 1994.

The complaint unsealed Thursday dealt with Mr. Owahli, and details of what charges Mr. Odeh would face were not disclosed. (Reuters, AP)

Nonetheless, there was a nervous reaction because it was the first such attack in the city since a suicide bomber killed himself and three women in a café.

Many said they assumed the explosion was connected to the recent U.S. missile strikes in Afghanistan and Sudan, which prompted Islamic calls for revenge against the United States and Israel.

"Where are we going to go if we don't stay here?" demanded Yusef Haglili, a bearded Israeli who owns a barber shop around the corner from the bomb site. "The Arabs say they want peace, but this is their idea of peace. The Arabs understand only one thing." He shook his fist to indicate violence.

Mr. Haglili said pockmarks in the facade of the building above the site where the bomb exploded were scars from the months of fighting between Arabs and Jews in 1948.

Shopkeepers in the vicinity of the explosion — a pleasant area of book shops, cafes, fast-food stands and appliance stores — said it was simply chance that casualties were not more serious.

Some stores had not yet opened for business when the bomb detonated. A bus had let off its passengers a minute or two earlier and they had dispersed before the blast.

"It's lucky that at that hour there aren't that many people on Allenby Street," said Avraham Bukai, who was helping his son run a hot dog stand across the street. "It gets a lot busier later in the day."

Prime Minister Benjamin Netanyahu repeated his call that the Palestinian Authority headed by Yasser Arafat do more to fight terror.

He said the bomb Thursday was proof that Israelis were at risk in Israel proper — and not only in the occupied territories where three Jewish settlers have been killed in the past month.

The Israeli government spokesman, David Bar-Ilan, said that without a better security environment the peace process "cannot continue."

New Jerusalem Homes for Jews

Israeli authorities have given final approval for the construction of a 132-apartment housing project for Jews in the heart of a Palestinian neighborhood in East Jerusalem, Agence France Presse reported, citing official sources.

Palestinian officials immediately denounced the move as new proof that the rightist government was more interested in strengthening its hold on occupied land than in breaking the long deadlock in peace efforts.

The municipality approved construction in the Ras al Amud area after initial approval for the project several months ago by the Israeli Interior Ministry.

"The municipality acted according to the law by giving permission for building plans that had already been approved by the Interior Ministry," Mayor Ehud Olmert said.

INSPECTOR: Official Quits, Saying U.S. and UN Stymied Efforts to Find Iraq Weapons

Continued from Page 1

quoted Mr. Ritter as saying Thursday. "The special commission will be compelled to close files prematurely and the result will be that Iraq will be allowed to maintain the weapons of mass destruction which they were called upon to get rid of by the Security Council."

The administration has publicly backed the inspectors, who have insisted on full and unfettered access to sites in Iraq suspected of being used to conceal weapons or the expertise needed to make them.

Twice in the last year the United States has threatened military action against Iraq for obstructing the inspections, and in February, U.S. warships were moved within striking distance.

But last week, U.S. officials acknowledged that the United States and Britain had privately urged Mr. Butler to stop trying to conduct surprise inspections of sites in Baghdad. The officials said they wanted to avoid an open confrontation with Iraq after Mr. Saddam said he would no longer cooperate.

"The illusion of arms control is more dangerous than no arms control at all," Mr. Ritter wrote. "What is being propagated by the Security Council today is such an illusion, one which in all good faith I cannot, and will not, be a party to."

Mr. Ritter, a former Marine intelligence officer, joined the commission in



SUDAN PROTEST — Pupils in Khartoum taking part in a demonstration at the factory site hit by a U.S. missile.

FBI Agents Begin Sifting Cape Town Evidence

Agence France-Presse

CAPE TOWN — Four FBI agents arrived in Cape Town on Thursday and joined South African police in sifting through the debris of the bombing of the Planet Hollywood restaurant amid claims that Islamic extremists were behind the blast.

Two FBI bomb-disposal experts arrived late Wednesday from Nairobi, where they had been investigating the bombings on Aug. 7 of the U.S. embassies in the Kenyan capital and in Dar es Salaam, Tanzania.

They were joined at Planet Hollywood Thursday by two other Federal Bureau of Investigation agents — one

who flew in specially to assist, the other a permanent FBI representative in South Africa.

The FBI was asked by the South African government to add its expertise to the investigation into the blast, which ripped through the restaurant Tuesday night, killing one man and injuring 27 people.

Safety and Security Minister Sydney Mufamadi arrived at Planet Hollywood soon after the agents began their work and held brief talks with them.

Mr. Mufamadi said this week that police believed there could be a link between the Planet Hollywood blast and the east African embassy bombings.

Meanwhile, the Afrikaans-language newspaper Die Burger, quoting "reliable sources," said Thursday that those behind the blast were Cape Town-based Muslim Shites with links to international terrorist organizations.

The bombing was carried out in retaliation for last week's U.S. strikes on Sudan and Afghanistan, the newspaper said.

It said the extremists had links with Qibla, a militant Islamic group whose members also form the armed wing of a Muslim-led anti-crime group in Cape Town. The group has denied involvement and on Wednesday issued a statement condemning the Planet Hollywood blast.

U.S. View on Sudan Plant's 'Nerve Gas' Challenged

By Steven Lee Myers
and Tim Weiner
New York Times Service

WASHINGTON — The chemical that the United States cited to justify its missile attack on a Sudanese pharmaceutical plant last week could be used for commercial products, according to an agency overseeing the treaty banning chemical weapons.

The United States has insisted that the chemical found in soil at the plant could only mean that the plant was intended to make the nerve agent VX.

Sudan contends that the plant made medicines and veterinary products.

The international treaty group, the Or-

ganization for the Prohibition of Chemical Weapons, conceded that it was not aware of any commercial product on the market that contained the chemical, nor of another chemical compound made with it. But its spokesman, Donato Kinzigier-Passigli, said in a telephone interview Wednesday that a search of scientific papers showed the chemical, known as Empta, could be used "in limited quantities for legitimate commercial purposes."

The uses, he said, included fungicides and anti-microbial agents, and not just the production of VX.

A Pentagon official said that the treaty organization had simply uncovered academic examples of possible use with no

real evidence that any commercial products have ever been made from Empta. "Just because you identify a chemical agent for commercial uses, that does not mean anyone makes it," the official said.

In the chemical industry, experts said they were not aware of any commercial uses for Empta nor could they foresee any practical uses based on what is known about the chemical.

Aldrich Chemical Co. in Milwaukee makes the chemical and sells it at \$45 a gram to laboratories for research.

But a spokesman said the company was not aware of any use of the chemical in commercial products.

The Clinton administration leveled

the Shifa Pharmaceutical Industries Co. plant in Khartoum with low-flying cruise missiles last Thursday, saying it had evidence linking the plant to the manufacturing of VX and to a shadowy network of terrorists.

Facing questions about the decision to attack the plant, senior officials said Monday that a soil sample collected nearby provided irrefutable evidence of the presence of VX at the plant.

Mr. Kinzigier-Passigli emphasized the treaty-oversight organization had come to no conclusions about the U.S. charges, or the Sudan's counter-charges.

The independent organization administers the chemical weapons treaty, signed by more than 160 nations and ratified by the United States last year.

Still, the organization's disclosure raised questions about the administration's categorical assertions that there could be no other possible explanation for the presence of Empta, an oily methylphosphonothionate. The disclosure Wednesday added to a number of inconsistencies in the administration's accusations, including statements by a senior intelligence official hours after the bombing that the plant in Khartoum was heavily guarded and produced no commercial products.

Administration officials declined on Wednesday to discuss the evidence of the caveats raised by the Organization for the Prohibition of Chemical Weapons.

However, Defense Department and intelligence officials, speaking on condition of anonymity, said they still believed there could be no other explanation for the presence of Empta in a soil sample secretly collected outside the facility several months ago.

On Wednesday, several American experts in chemical warfare and analysis offered another possible explanation. They said the chemical's structure resembled that of an insecticide known as Fonofos, which is available in Africa.

While the two are not identical, they have molecular similarities and could be confused in a lab test performed under less-than-ideal conditions, said Hank Ellison, a counterterrorism expert who ran the U.S. Army's chemical and biological warfare programs at Fort Campbell, Kentucky, in the 1980s.

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Aid Efforts Lift China Army's Image

By Michael Laris
Washington Post Service

BEIJING—With a propaganda campaign worthy of the Maoist era, the People's Liberation Army is using the worst Chinese floods in 44 years to try to improve the military's battered image.

The state-run media have blanketed China with disaster coverage focusing on strenuous efforts by soldiers wearing fatigues and bright-orange life preservers.

Troops are frequently shown shoveling dirt and saving children in the floods, which the government said Thursday had killed more than 3,000 people.

Soldiers are videotaped using their bodies as human sandbags when earthen dikes burst. They work until their fingernails literally lift off their fingers, the radio reported, and they even cope with poisonous water snakes.

In a media briefing Tuesday with top flood-control officials, General Ma Shukuan said the 276,000 soldiers battling the floods "have displayed a revolutionary spirit of fearing neither hardship nor death."

"They fight where it is most difficult, and they rush to where it is most dangerous," he added.

The army has been trying to reclaim the moral high ground for years. Its reputation was severely damaged after troops opened fire on pro-democracy demonstrators near Tiananmen Square on June 4, 1989, killing hundreds.

Earlier this year, President Jiang Zemin charged that the military was deeply involved in smuggling.

In a brief interview after his public statement, General Ma acknowledged that the military has been criticized for its actions in 1989 but denied that the army was using the floods as a backdrop for a public relations campaign.

"There are some people who do indeed have views about June 4," said General Ma, director of community and government affairs for the General Political Department. "But they don't represent all the nation's people. It's not that we are putting up appearances this time because people have objections about that time. That's wrong."

Nevertheless, the army's visibility in fighting the floods has been striking. The television news Tuesday opened with an item about a soldier who died fighting the floods, one of more than 20 soldiers killed.

In many quarters, appreciation of the army is heartfelt. "On TV, I saw the hardships facing the People's Liberation Army," said Suo Xiaoli, 24, a real estate clerk.

The people's survival "really depends on the military now," said a liberal activist in Beijing.

The quarter-million soldiers, and more than 5 million militiamen and reservists, have made an impact. They flew 10,000 life vests into one of the worst-hit areas in central China and moved 4.2 million people to safety nationwide, officials said.

But they are only part of the massive nationwide effort to fight the floods, which have affected more than 200 million people. The problems facing China — and the efforts to solve them — are much bigger than the Great Wall of steel, as the army is being called.

In Heilongjiang Province in the northeast, 4,830 villages have been flooded, a quarter of all crops have been destroyed and more than 750,000 homes have collapsed, according to the deputy governor, Ma Shujie.

Winter arrives in the area in just over a month.

"Our promise is that we will ensure that no one will be frozen to death," Miss Ma said. She added that the province is trying to rebuild some houses in time but that reinforced tents and "half-underground houses" also will be used.

Throughout the country, fear of epidemics is rising as the water levels in some regions begin to fall.

"The most difficult time for epidemic prevention — after the floods — has yet to come," said Yin Dakui, deputy minister of health. "It will occur when the water recedes and people come home."

Wen Jiabao, a deputy prime minister, said that 21 million hectares (52 million acres) of farmland had been flooded and that economic losses had reached 166.6 billion yuan (\$20 billion).

Independent economists estimated that the floods could cost China as much as \$36 billion.



A woman wading home in a suburb of Dhaka, half of which is flooded.

Flooding in Bangladesh Leaves Millions Homeless

Leader Cancels Trip as Death Toll Nears 400

Reuters

DHAKA, Bangladesh — Prime Minister Sheikh Hasina Wazed called off a visit to South Africa on Thursday as floods overwhelmed her country, pushing the death toll close to 400.

Millions of people are homeless, including a quarter of the residents of the capital Dhaka, and diseases like diarrhea are rife in what many Bangladeshis now regard as the worst floods in a decade.

Sheikh Hasina dropped plans to attend a Nonaligned Movement summit meeting Sunday in Durban, South Africa, the foreign minister said Thursday.

"She has decided to stay back to supervise relief and rescue operations," Abul Samad Azad told reporters.

Bangladeshi rivers, some of the world's biggest, have become torrents and have submerged half of Dhaka, a city of 9 million people, a quarter of whom are jammed into shelters where food and drinking water are in short supply, officials said.

Fresh rain Thursday hampered relief operations in and outside the capital, which is becoming increasingly congested as flood refugees stream in from the countryside, the police said.

A boy and his parents died in Dhaka on Wednesday night after touching a live electrical wire under water. Dhaka power-supply authorities warned flood

victims they could face similar danger.

"There is hardly any food dry or fresh," said Mohammed Mujibur, a Dhaka resident, as he walked in waist-high water on a flooded street, looking for a shelter.

His family has been twice made homeless by the floods. "It's an unending misery, and hopes are fading," he said.

Of the nearly 400 dead in the monsoon floods, about 70 people suffered from diarrhea after drinking floodwater or eating rotten food, disaster management officials said. Many have drowned or been killed by snakes that have crowded on to higher land.

A local newspaper, Sangbad, put the toll at more than 530.

Thousands of people are falling sick daily, mostly from diarrhea, and converging on city hospitals, witnesses said. More than 800 people a day are reporting to a Dhaka hospital that specializes in treating diarrhea, doctors said.

Floods have pummeled the impoverished, mainly rural South Asian country for more than six weeks.

■ 10 Die in Flood in Rural Japan

A tropical storm off the coast of Japan dumped record rainfall Thursday in rural areas north of Tokyo, causing floods and mudslides that killed at least 10 people and left four missing, The Associated Press reported from Tokyo.

Firing Squad Executes 30 Criminals in Chinese City

Reuters

SHENZHEN, China — Thirty criminals were put to death in a mass firing squad execution, local newspapers reported Thursday.

They were sentenced Wednesday morning and immediately taken away to be shot.

China is in the midst of a national campaign against crime called "Strike Hard."

The killings were the biggest mass execution in memory here. Shenzhen, a freewheeling, capitalist-influenced city just across the border from Hong Kong, is plagued by crime, drugs and prostitution.

Executions in this country are generally carried out by a single bullet to the base of the skull, although lethal injection is being introduced.

Western human rights groups have criticized China for the number of executions since the "Strike Hard" campaign began in April 1996.

China has executed more people in the 1990s than the rest of the world put together, Amnesty International said in London last year. The group said China executed 4,367 criminals during 1996.

One of the complaints of human rights groups is that the judicial appeals process in China is so quick.

The Shenzhen newspaper Special Zone Daily said 53 people were sentenced by the Intermediate People's Court in a mass court session here. Their crimes ranged from murder to robbery, theft and dealing in illegal firearms and ammunition.

Thirty-nine of the 53 were sentenced to death. Nine of those sentences were suspended.

An increase in crime in this country in recent years has been linked to unemployment, particularly in the northeastern industrial "rust belt," where many state factories have been closed, throwing millions out of work.

Criminal gangs from such economically depressed areas move freely around China, mixing with a vast army of migrant workers who move from city to city looking for work on construction sites.

Many in both groups come to this prosperous southern city.

In June, three unemployed drug addicts from the northeast were executed for the killing near Shenzhen of an American engineer.

BRIEFLY

Higher English Level Required For Many Australia Immigrants

SYDNEY — Australia announced Thursday tougher selection criteria, including a higher level of English, for about half of the immigrants it is expected to allow into the country from July 1, 1999.

Immigration Minister Philip Ruddock said that skilled and independent immigrants would be required to speak vocational-level English to gain entry from that date.

He also said these immigrants would need a skilled occupation with locally recognized qualifications, be under 45 years of age, and lodge a bond of 4,000 Australian dollars (\$2,300) on application.

Ethnic leaders in Australia said the tougher requirements for migrants were a reaction to the anti-Asian immigration One Nation party led by Pauline Hanson.

its "belligerent" protest against the vote outcome.

The Cambodian People's Party also ruled out opposition calls for a caretaker government to oversee new elections.

The call for talks came as a sit-down protest outside Parliament against alleged fraud in the July 26 election entered its fourth day.

(Reuters)

New Poisoning Scare in Japan

TOKYO — Japan was gripped by a new mass poisoning scare on Thursday after bottles of lethal disinfectant described as a diet drink were sent to a teacher and 23 students at a Tokyo high school.

Police said the only student who drank the liquid was in a hospital in serious condition with a badly burned throat and breathing difficulties.

(Reuters)

For the Record

Singapore said a five-country military exercise had been called off because Malaysia had pulled out. Media reports said earlier that Malaysia had withdrawn from the exercises because of its economic crisis and its strained relations with Singapore over a series of spats.

(Reuters)

Talks Proposed in Cambodia

PHNOM PENH — Cambodia's ruling party, which officially won last month's election, called Thursday for talks with its main rival and urged the opposition to give up

BOOKS

FULL DRESS GRAY

By Lucian K. Truscott IV. 384 pages. \$25. Morrow.

Reviewed by Maureen Corrigan

PERHAPS those beleaguered Modern Library judges would have come in for less criticism if, say, instead of choosing the 100 best English-language novels of the 20th century, they had aimed their aesthetic sights lower and assembled a list of the 100 best "kinda dumb but thoroughly engrossing" English-language novels of the same period.

Few culture guardians would have roused themselves to attack such a humble list, and the judges would certainly have had more fun reading, or rereading, James Michener's "Hawaii" than they did Thornton Wilder's "Bridge of San Luis Rey," which was kinda dumb and not at all engrossing.

This happy-go-lucky list might well have included Lucian K. Truscott 4th's best-selling 1978 thriller, "Full Dress Gray," along with its just-published sequel, "Full Dress Gray."

Like its predecessor, which was praised for its insider's view of West Point, "Full Dress Gray" takes readers deep into the bowels of the military academy, paying special attention to the dirty laundry room.

The ambivalence with which Truscott, himself a West Point grad, regards the place gives nuance both to the closed world of the cadets he so vividly evokes and to his lively suspense story. But, although he avoids sentimentality in his writing, Truscott waltzes in the other vices that even the greatest Victorian novelists cultivated: melodrama, inflated language and coincidence, coincidence, coincidence.

"Full Dress Gray" is a book whose cliffhanger chapters should rightfully end with italicized phrases (and some do). In its most overheated moments, the

novel resorts to the same fabled fiction that Paul Fussell in "The Great War and Modern Memory" identified as emblematic of soldiers' writings during the early, idealistic years of World War I. Truscott words and phrases like "foe," "unvanquished," "to lay down my life" and "cowardly" are tossed around with, as one of Fussell's subjects might say, nary a trace of remorse.

Coincidence announces its flashy presence in the first chapter of the novel. The new superintendent of West Point, Ry Slaughter, is reviewing the cadets on parade when a female cadet named Dorothy Hammer keels over and dies. It turns out that her death, at first ascribed to heat stroke, may be a case of homicide.

Wouldn't you know it? Thirty years ago, when Slaughter was a cadet (and the rebellious hero of "Dress Gray"), he investigated the strange death of a fellow cadet who turned out to be the victim of a homosexual cover-up. Now, Slaughter is the "supe," happily married to that murdered gay cadet's sister, and, on his first day on the job, he's got another death to investigate. And, his daughter, Jacey, is a cadet at West Point and was Hammer's company commander!

It's not that coincidence as a literary device is always a bad thing. The outlandish symmetries that undergird Dickens's novels, for instance, don't so much close off his worlds as open them up to life's marvelous possibilities.

Truscott, though, is writing a thriller, not a comedy, and his novel's overabundance of amazing-but-true occurrences jars with its otherwise realistic atmosphere.

Fortunately, "Full Dress Gray" is a novel whose stylistic faults are cast into shadow by the grandeur of the brooding, labyrinthine vision of the West Point it creates. With every step Slaughter takes, the sense of place here intensifies. Slaughter's West Point is as hematologically sealed as a medieval monastery.

A place this Gothic in atmosphere naturally attracts the minions of evil — in this case, a group of rogue cadets and officers hell-bent on expelling undesirables from the academy.

Slaughter cannot deploy all his resources to rooting out these apostates, for he's simultaneously fending off another threat to West Point's integrity: Representative Chuck Thurnstone, an old mastodon serving on the House National Security Committee, has been lobbying for a bill that would close down or consolidate all the service academies.

Naturally, both the corrupt cadets and the wicked Thurnstone begin warring their sabers at Slaughter's Achilles' heel: his daughter.

Jacey has been conducting her own investigations into Hammer's homicide and, in a truly harrowing scene, she's kidnapped and sexually assaulted while on guard duty. Jacey, however, is made of the right stuff. She recovers to take her place behind her father in time to witness sexism, pork-barrelism and homophobia defeated by West Point's progressive best and brightest.

In his address to the assembled cadets after their outlaw comrades have been exposed, Slaughter proclaims: "I am merely a temporary custodian, pushing a broom behind the Long Gray Line. It's up to you cadets to keep West Point alive by making over your lives in its image."

This living image of West Point as a place in tension — where a masculine warrior tradition is clashing with the invading post-patriarchal hordes — remains long after characteristically hyperbolic speeches like this one fade from memory.

Maureen Corrigan, who teaches literature at Georgetown University and is the book critic for the National Public Radio program "Fresh Air," wrote this for The New York Times.

BRIDGE

By Alan Truscott

At the American Contract Bridge League, tournament events for senior players have become very popular. They are primarily social, and the players do not have to put up with the occasional brusqueness of intense youngsters who think they are headed for stardom.

Dan and Natalie Hertz of Harrison, New York, are one of the most successful couples on the senior circuit. At a regional championship in Alexandria, Virginia, they won three titles: a senior knockout team, a senior swiss team and an open board-a-match team. The diagrammed deal helped them in the swiss event.

Mrs. Hertz played in three spades after a weak jump overcall on her left. She did not consider bidding game.

NORTH
♠ K 10 2
♥ K Q 10
♦ J 10 9 5 4
♣ 3 2

WEST
♠ 9
♥ 8 6
♦ Q 8 7 6
♣ A J 10 9 7 6

EAST
♠ Q 8 6 3
♥ A 8 7 5 3
♦ K 2
♣ Q 5

SOUTH (D)
♠ A J 7 5 4
♥ J 4 2
♦ A 3
♣ K 8 4

North and South were vulnerable.

The bidding:
South West North East
1♠ 3♠ 3♠ 3♠
Pass Pass
West led the heart eight.

because the raise under pressure in this situation suggests a hand that would normally make a maximum raise to the two-level. A heart was led, and dummy's queen was captured by the ace.

East shifted to the club queen, which won. On the next club lead South played the king, and after taking the ace, West led the nine. To prevent an overruff, North ruffed with the spade king. East threw a heart. The spade ten was led for a winning finesse, pinning West's nine. Next South finessed the spade seven, reaching the position shown at left.

South could now see a road to nine tricks if she could shorten her trumps and wind up in the dummy. She cashed the diamond ace and exited with a diamond. East won and

returned a heart, won with dummy's ten. A diamond was ruffed, and dummy was entered with a heart to the queen. East's queen-eight of trumps was trapped under the ace-jack in a coup position, and a contract was made that failed in the replay.

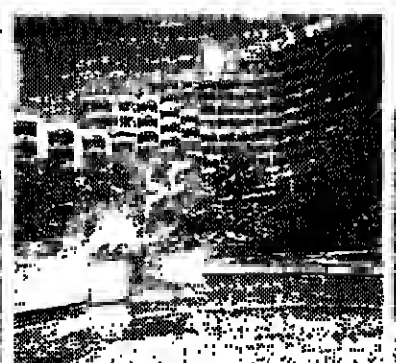
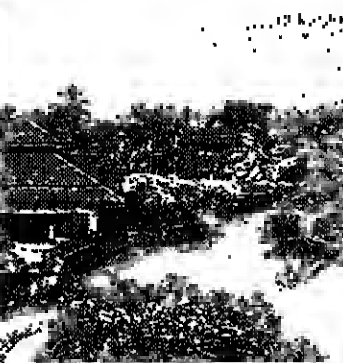
NORTH
♠ —
♥ Q 10
♦ J 10 9 5 4
♣ —

WEST
♠ —
♥ 6
♦ Q 8 7 6
♣ 10 7

EAST
♠ Q 8
♥ 9 7 5
♦ K 2
♣ —

SOUTH
♠ A J 5
♥ 7 4
♦ A 3
♣ —

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EUROPE

Russia's Financial Barons Flex Their Muscles in Power Shift at Kremlin

By Michael Gordon
New York Times Service

MOSCOW — Boris Berezovsky, one of Russia's emerging tycoons, had waited months for this moment of triumph, quietly plotting to depose the current prime minister, Sergei Kiriyenko.

Last Saturday, Mr. Berezovsky went to the White House, the mammoth, Soviet-era government headquarters that looms over the Moscow River, and there, in a private meeting with Anatoli Chubais, one of the government's most passionate reformers, he told Mr. Chubais that the Kiriyenko team was finished. President Boris Yeltsin, Mr. Berezovsky declared, would soon sign a decree sacking the entire cabinet.

Mr. Chubais did not resist, people familiar with the weekend events said. He sensed it was a fait accompli and later told Kremlin aides that Mr. Berezovsky's aim in telegraphing the punch was to demonstrate clearly that the financial

barons who dominate Russia's industry and banks were making a move to assert their power.

Mr. Kiriyenko had concluded that his days might be numbered. Wealthy businessmen, who had made a fortune buying and selling companies once controlled by the government, had bridled at his tough talk about collecting back taxes and allowing money-losing enterprises to go bankrupt.

On Sunday, the day after Mr. Berezovsky delivered the news, Mr. Yeltsin summoned the prime minister to his dacha near Moscow and told him that he was planning some unspecified personnel changes.

Confused, Mr. Kiriyenko left the meeting unsure when the ax might fall. Within hours, the official notice came. Mr. Kiriyenko was out. Viktor Chernomyrdin, the prime minister who was fired in the last shake-up, was back in.

The sudden demise of Mr. Kiriyenko's four-month-old government came

partly from the deepening financial crisis and Mr. Yeltsin's penchant for sacrificing loyal subordinates. But it also was a demonstration of the power of Mr. Berezovsky and other tycoons, who exploited the crisis and Mr. Yeltsin's weakened position to install a more pliant government.

Now Mr. Berezovsky and his allies are playing the role of go-between in the formation of that government, helping Mr. Chernomyrdin negotiate with the Communists who dominate the lower house of Parliament.

The drama is still far from over. The burning issue now is not whether the Parliament will approve Mr. Chernomyrdin — that seems assured — but whether a physically ailing and politically besieged Mr. Yeltsin will cede to Mr. Chernomyrdin by eventually resigning and calling early elections.

That would enable Mr. Chernomyrdin to take the reins as the nation's acting chief executive and would give him an

enormous advantage as a presidential candidate.

"This is a very big danger for the country," Boris Nemtsov, one of the Kiriyenko supporters who resigned his post this week, said in an interview. "A resignation would be bad not just because of the problem with the currency but because of the history of Russia. If any czar decides to resign it could lead to a real time of troubles."

Mr. Berezovsky had never made a secret of his opposition to Mr. Kiriyenko or his own doctrine that the government should be a servant of well-connected businessmen.

A former mathematician, Mr. Berezovsky made a fortune as a car dealer and media mogul after the collapse of the Soviet Union. He was one of Mr. Yeltsin's major financial backers during the 1996 presidential elections and claimed his reward by being named deputy secretary of the National Security Council.

Almost immediately, he locked horns

with Kremlin reformers like Mr. Chubais, who once presided over Russia's troubled privatization program.

Mr. Nemtsov, the former governor of the Nizhny Novgorod region whom Mr. Yeltsin once touted as a possible successor, prevailed on the president last year to fire Mr. Berezovsky from his security post, complaining that the businessman was mixing his business and government interests.

But Mr. Berezovsky remained close to the corridors of power. He maintained connections with Valentin Yamashev, Mr. Yeltsin's chief of staff, and Tatyana Dyachenko, Mr. Yeltsin's daughter and political adviser.

And he used his control over the ORT television channel and his newspaper, Nezavisimaya Gazeta, to attack his opponents.

Last March, when Mr. Yeltsin appointed Mr. Kiriyenko — a Nemtsov ally and former energy minister and banker who also comes from Nizhny Novgorod — as

prime minister, Mr. Berezovsky inveighed against the choice.

At first, it appeared that Mr. Berezovsky would be the loser. Aided by Mr. Chubais, the Kiriyenko team negotiated a \$17 billion bailout package with the International Monetary Fund. Western officials praised the new prime minister's dedication and acumen.

But not everyone was so enthusiastic. Some in the Russian financial community were alarmed by Mr. Kiriyenko's talk about putting the nation's house in order by refusing to bail out well-connected banks and enterprises. Some of Russia's new tycoons, who had built their fortunes by buying privatized government enterprises at bargain prices with the help of political connections, have not proved to be very adept business managers and now fear the idea of free market competition.

Even with the IMF bailout, investors continued to flee the world's emerging markets. The Parliament resisted Mr. Kiriyenko's program, much of which was tied to the loans from the Fund. Worse, the ruble began to falter and Russian banks were having trouble paying back their borrowings.

Last week, the government, after insisting that it would never devalue the currency, reversed itself and allowed the currency to decline in value. It also took some steps to protect the nation's oligarchy, including a 90-day moratorium on the repayment of banks' foreign debt.

But the financial crisis also gave the prime minister's opponents the opening they had been waiting for.

"Kiriyenko prepared a packet of measures that would lead to the bankruptcy of ineffective banks or financial industrial groups," Mr. Nemtsov said. "When the oligarchs sensed this, they decided to change the government."

As last week came to an end, there was talk that Mr. Kiriyenko might be ousted, but it was far from clear who might take his place. In the halls of the Kremlin, several successors were mentioned: the pugnacious mayor of Moscow, Yuri Luzhkov; Yegor Stroyev, the head of the upper house of Parliament, and Mr. Chernomyrdin, the prime minister whom Mr. Yeltsin unceremoniously ousted in March.

Mr. Chernomyrdin had his liabilities. During his first term as prime minister, he had gone along with Russia's stutter-step journey toward a capitalist democracy. But he had also presided over the insider deals and half measures that led to its economic quagmire.

Top Officials Authorized 1997 Gassing of Civilians, Albania Prosecutor Says

By R. Jeffrey Smith
Washington Post Service

TIRANA, Albania — A criminal prosecutor has alleged that top officials in the government of former President Sali Berisha deliberately fomented civil chaos and secretly authorized the use of a potentially lethal gas against citizens last year.

At the prosecutor's direction, six former officials of Mr. Berisha's rightist government were arrested Saturday and charged with committing "crimes against humanity." The allegations, which Mr. Berisha has charged are politically motivated, have opened up new political wounds here and provoked fresh concerns in Washington that Albania's shaky government faces yet another serious crisis.

Mr. Berisha already has organized a

demonstration by 3,000 supporters in the capital, and in an interview Wednesday he vowed additional protests in other cities as long as the six men remain in jail.

"This is the return of former political trials," Mr. Berisha said. Asked if local newspapers had accurately quoted him as threatening a civil war, Mr. Berisha said, "We are absolutely ready to defend the political values for which we stand," adding, "We could not accept political prisoners in Albania."

Prime Minister Fatos Nano, who leads a Socialist-led coalition that took power after an election 13 months ago, said in a separate interview, however, that he favored letting the judicial proceedings run their course before considering a legal amnesty that would free the men.

"These are not irrelevant people," Mr. Nano said. "They had strong positions in the former government. They probably received orders from a higher level in the government."

The prosecutor, Arben Rakipi, has alleged that the former government's abuse of power during the civil strife was so extreme that its activities lie outside the provisions of an existing amnesty enacted by Parliament. He claimed in particular that the former defense minister, Safet Zihali, and the former interior minister, Hajri Shmata, among others, had approved gassing peaceful demonstrators in the city of Vlore with a type of phosgene, a choking agent that can be lethal in high doses.

From mid-January until midsummer 1997, Vlore was a center of popular outrage against Mr. Berisha's government over the collapse of financial schemes that defrauded many citizens. Demonstrations eventually gave way to a spasm of civilian violence against government institutions and officials across the country, which devastated its economy and infrastructure.

Allegations have long swirled in political circles here that Mr. Berisha and his supporters helped fan the violence so they could declare a state of emergency and ensure Mr. Berisha's re-election in March 1997. But Mr. Berisha's party lost in new elections three months later, and now some of its leaders face formal criminal charges that they helped distribute weapons from the country's arsenals to supporters for use against other civilians and also ordered the army to attack protesters.

According to Mr. Rakipi, the gas was never used in Vlore because two military helicopter pilots refused to ferry the substance to the city from an arsenal less than 10 kilometers (6 miles) east of Tirana. But he claims to have collected statements from two of the six arrested former officials, as well as from the two pilots and the former head of the Interior Ministry's chemical division, all confirming that key ingredients of the weapons were mixed in late January 1997 with the intention of using them in Vlore.

Mr. Rakipi and two other prosecutors said that the liquid was stored in plastic soda bottles and was to be transformed into an aerosol with small explosive charges. He said the liquid was formed by mixing gasoline and a substance known as chloropicrin, which Albania obtained from China. The date of the purchase is not certain, he said, but it occurred when the two countries had close military ties, before Mr. Berisha's government took power in 1992.

According to Amy Smithson, a chemical weapons expert at the Stimson Center in Washington, chloropicrin is similar to tear gas and has long been used by military forces during training exercises to test gas masks and help prepare troops for operating on a battlefield sprayed with deadlier poisons.

"It is way, way down on the scale of bad stuff," particularly in comparison with much more lethal chemical agents, such as sarin or VX, Ms. Smithson said. The production and sale of chloropicrin was controlled, but not banned, by the global Chemical Weapons Convention that came into force in April 1997. China and Albania have pledged to adhere to the treaty, and Mr. Rakipi said that once the judicial proceedings end, all of the substance "must be destroyed."

Many citizens of this former Stalinist country are likely to be skeptical that politics played no role in the allegations, as Mr. Nano repeatedly insisted during an address on state-run television Tuesday.

Mr. Rakipi was appointed by Parliament a year ago and officially acts as an arm of a judiciary that is independent of Mr. Nano's government.



A woman selling used clothing Thursday in Moscow. On the back wall, 'Yeltsin — jackal' has been sprayed.

RUSSIA: As Pressure on Yeltsin Grows, Officials Discuss Change

Continued from Page 1

uncertain future of Mr. Yeltsin, the man who has dominated Russia's shaky democracy since its birth seven years ago.

His recent absence from the political scene, after an abrupt change in government Sunday, has fueled rumors of his early resignation and deteriorating health. Pressed by rumors circulating here and abroad that Mr. Yeltsin is ready to resign, Kremlin spokesmen repeatedly stated that such reports were untrue.

"No resignation has been on the agenda," said Mr. Yeltsin's press secretary, Sergei Yastrzhembsky. "Let's calm down and take up real problems."

However, in a unusual move that spoke volumes about Mr. Yeltsin's diminished authority, Mr. Yastrzhembsky went to the Parliament on Thursday and spent three hours in conference with the chief of the Communist Party, Gennadi Zyuganov.

The focus of their discussions was a draft document that demands that the

president cede his considerable powers to appoint and fire governments and yield them to the Parliament, or Duma, which is dominated by the opposition.

The political document would circumvent the Russian Constitution, calling on Mr. Yeltsin to become little more than a ceremonial president.

According to a well-informed Russian journalist, Mr. Yastrzhembsky said the president would refuse to sign the document.

Mr. Zyuganov, in turn, said that without the president's signature, the Parliament would not confirm Mr. Chernomyrdin as prime minister at a session scheduled next week.

In public comments after the meeting, Mr. Yastrzhembsky said only that the political document, and the separate draft program for a radical change in the country's economic course, "constitute a basis for compromise."

Mr. Zyuganov hinted that negotiations were not over.

"The presidential camp is now aware of what is happening in the country and now that they understand reality, consultations may become more product-

ive," he said, noting that the president's future "social welfare" was also discussed.

According to Sergei Markov, director of the Institute of Political Studies, Mr. Yeltsin's early resignation — before his term expires in 2000 — is "definitely under discussion, but the issue is when, and with what mechanism."

Mr. Markov said Mr. Yeltsin's primary concern will be a guarantee that he and his family will be immune from any future prosecution, which could arise on charges, including treason, listed in articles of impeachment being discussed in the Duma.

"But," Mr. Markov said, "Boris Yeltsin can only resign if he sees that Mr. Chernomyrdin controls the situation."

Mr. Markov and other political analysts say pressure on Mr. Yeltsin to resign is probably coming from advisers who want to see Mr. Chernomyrdin, whom Mr. Yeltsin has already chosen as his successor, run for president in early elections before he is too badly tarnished by the coming economic crisis.

But other analysts cautioned that most resignation scenarios lack any hard information about Mr. Yeltsin's own intentions.

"We don't know what the president thinks about it," said Vyacheslav Nikonov, director of the Political Foundation. "There is a lot of talk about this resignation, but no one is sure if he is well informed about it."

"Everything is up to Yeltsin," said Pavel Voshchanov, a journalist who was the Russian president's press spokesman during the 1991 coup. "The situation in the Kremlin is in complete collapse. Almost everyone has left him. He is in a dead end."

Most observers agree that Mr. Chernomyrdin is ready to compromise with the Parliament and its Communist-dominated majority and even accept its draft economic program. He is also expected to agree on naming several Communists to his cabinet.

Russia May Block Arms Control Pact

The Associated Press

MOSCOW — Russian parliamentary leaders threatened Thursday to postpone ratification of the START-2 treaty, reiterating allegations of U.S. violations of the previous arms control agreement, START-1.

The Russian foreign minister, Yevgeni Primakov, and the U.S. deputy secretary of state, Strobe Talbott, meanwhile conferred on the agenda of the meeting next week between President Boris Yeltsin and President Bill Clinton, Russian news agencies reported.

The Russian military has circulated allegations of U.S. violations before, and even reports of such concerns could further delay the long-stalled ratification of START-2, the nuclear arms-cutting agreement, by the Communist-dominated Parliament. Two key members of the Parliament on Thursday urged Washington to deal with the alleged violations before Mr. Yeltsin and Mr. Clinton meet Tuesday, the Interfax news agency reported.

The Russian military has reportedly complained that the United States is helping Britain test Trident ballistic missiles at a U.S. range to see whether they could carry 10 to 12 warheads, more than the 8 allowed by START-1.

The military also alleges that the United States has changed the coating on the landing gear of B-1B strategic bombers, making it easier to restore the bombers' ability to carry cruise missiles. And it reportedly objects to uncontrolled scrapping of U.S. MX missiles.

Regional problems and economic cooperation are also on the summit meeting agenda, a Foreign Ministry spokesman said.

BRIEFLY

Havel Going Home

PRAGUE — President Vaclav Havel of the Czech Republic will be released from the hospital Friday after complications from intestinal surgery in late July threatened his life, doctors said Thursday.

Mr. Havel, 61, will continue his recovery at home and is still scheduled for a state visit to the United States in mid-September.

On July 26, he had an operation at the Central Military Hospital in Prague to remove the bag he was fitted with when his large intestine ruptured while he was on vacation in Austria in April.

The surgery went well, but he was stricken by pneumonia and then an accelerated heartbeat, which threatened his life for the third time in 19 months.

The heart problem was treated with electric shocks. Before the heart problem, Mr. Havel needed a tracheotomy to allow him to breathe sufficiently.

After he had surgery to remove a small cancerous tumor in a lung in 1996, pneumonia nearly took his life. Doctors said the intestinal problem was not connected with the lung cancer. (Reuters)

Turk to Visit Russia

ANKARA — Prime Minister Mesut Yilmaz of Turkey will visit Russia in October, mainly for economic cooperation talks, despite a row over Moscow's planned missile sale to Cyprus, a cabinet minister said Thursday.

The state minister for the economy, Gunnes Taner, revealed the plan. He is due to meet Russian officials, including Acting Prime Minister Viktor Chernomyrdin, to discuss Turkish efforts to relieve Russia's financial crisis, the Anatolia news agency said.

"Turkey and Russia are the second-largest trading partners of each other and anything happening in Moscow is important for us," Mr. Taner said. (AFP)

Le Pen Slap at Aide

TOULON, France — Jean-Marie Le Pen rebuffed Thursday the ambitions of Bruno Megret, the second-ranking leader of Mr. Le Pen's far-right National Front, to head the party's slate in European elections next year.

Mr. Le Pen said he was "not aware" of Mr. Megret's candidacy, which his deputy had declared in an interview with the French daily Le Figaro.

"Unfortunately, he confides in the press rather than in the president," Mr. Le Pen said as he arrived for a party conference in Toulon, which is governed by the National Front.

French political circles have speculated that Mr. Le Pen is angry with Mr. Megret, who has distanced himself from the leader's more controversial anti-Semitic and anti-feminist remarks. (AFP)

Kohl Denies Plan to Hand Over His Job

Reuters

BERLIN — Chancellor Helmut Kohl tried to stamp out speculation Thursday over how long he would stay in office as rumors swirled that he might hand over the reins of power early if he is re-elected next month.

Mr. Kohl strongly denied that he had agreed on any timetable for handing over to his preferred successor, the Christian Democrat Union's parliamentary chief, Wolfgang Schauble, if he won the Sept. 27 general election.

The Berlin-based newspaper Tagesspiegel reported that Mr. Kohl and Mr. Schauble had agreed on a schedule for the transfer if the party re-

mained in power and that discussions were under way about whether to make the plan public.

"There's no agreement or anything else," Mr. Kohl told reporters in Berlin, repeating that he was running for a full four-year term.

Mr. Kohl said he had no intention of settling the matter of his succession before the election but added that he could imagine Mr. Schauble becoming the party's candidate for chancellor in 2002.

Mr. Kohl's conservatives are trailing the Social Democrats by between 3 and 7 percentage points in the polls with less than five weeks until the vote.

LAWSUITS: Nazi-Era Slave Laborers to File for Damages Against German Companies

Continued from Page 1

called on the German banks to "assume their responsibility" by compensating victims of the Nazis.

German companies generally deny any legal responsibility, arguing that the Hitler regime imposed the slave laborers on them. That is why they are demanding government participation in any new compensation fund.

"In pure legal terms, we are not responsible," said Bernd Graef, who oversees the archives at Volkswagen. "But we feel a moral and historic obligation and we will do something."

Edward Fagan, the New York lawyer pressing the case, said in a telephone interview that he would be working on the suit with a team of lawyers in California and that the suits would be filed in San Francisco and Los Angeles.

He disputed the notion that German companies can preempt damages by creating humanitarian funds.

Mr. Fagan said he assumed the defendant companies would respond that they were "just taking orders."

He added: "That got a lot of people convicted at Nuremberg," a reference to war-crimes trials there.

The question of payments to survivors of the Holocaust moved to the forefront in many German boardrooms following this month's \$1.25 billion out-of-court settlement by Switzerland's two biggest banks and this week's landmark agreement by five leading European insurance firms to make disbursements for unpaid claims from the war years.

Holocaust-related suits already have been filed against Germany's two biggest banks, the German operations of Ford Motor Co. and the precious metals group Degussa AG.

According to the 31-page suit, other companies named are the bus-making operations of MAN AG; the Messerschmitt AG aircraft company and the Telefunken Systemtechnik AG electronics group that now both belong to Daimler-Benz; the AEG AG electronics group, which Daimler-Benz sold but appears in the suit as a Daimler unit; the Leica Camera AG company; the Wurttembergische Metallwarenfabrik AG; and the Steyr-Daimler-Puch AG engineering group in Austria.

Other lesser known companies are: Dynami Nobel, Henkelwerke Aircraft, Diehl, Brabag Oil Refinery and Hella.

Mr. Fagan will file the suit, which describes the "inhuman" conditions un-

der which the plaintiffs worked, with associates in a San Francisco law firm.

In the election campaign, Chancellor Helmut Kohl says the companies are on their own, noting that the government has paid out over the five decades since the end of World War II more than 120 billion Deutsche marks (\$66.43 billion) to victims of the Nazis. He has refused to furnish further federal funds to former slave workers.

His challenger, Gerhard Schroeder, who sits on the Volkswagen board of supervisors, is willing to offer at least a symbolic portion of taxpayer money to a humanitarian fund that would also include corporate contributions.

Officials in Mr. Schroeder's opposition Social Democratic Party have joined Jewish leaders and historians in urging German banks to follow the Swiss settlement.

Volkswagen acknowledges the use of forced labor during the war. The company exploited an estimated 17,000 to 20,000 slave workers at its Wolfsburg plant to make military vehicles and munitions during the war, Mr. Graef said.

Volkswagen, which already has been threatened with a lawsuit by a German attorney over unpaid wages for slave

laborers, next month is expected to establish a "humanitarian fund" for victims of slave labor. The volume of funds to be dispensed will be decided at a Sept. 11 board meeting and will be independent of any government-sponsored fund.

A Daimler spokesman, echoing responses from other firms, declined comment until the suit was filed. But he added: "We have been dealing with this issue since the 1980s and we will continue to deal with it, no matter what comes up."

It was Mr. Fagan who sued Degussa last week in a New Jersey court on behalf of four survivors over the company's role in producing the poison Zyklon B gas and for melting down the dental gold taken from prisoners in concentration camps.

In a front-page essay this week called "Companies, Guilt and Money," the Frankfurter Allgemeine Zeitung newspaper predicted that German companies would pay up rather than endure a loss of image or, in a worst-case scenario, face possible boycotts in the United States, as the Swiss banks and insurers did.

"The German banks do not want a bad image in the U.S.," said Konrad Becker, analyst at Merck Finck & Co. in Munich. "They will come to an agreement. It is only a matter of time."

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Risks From Asia

Despite a host of international rescue operations, most of Asia continues today on a downward path.

In Thailand, where the whole crisis began a year ago, the government and the IMF this week agreed on new estimates that revise downward, yet again, expectations for the economy. GDP is now forecast to shrink by 7 percent this year, not 4 percent. Every day 2,000 people lose their jobs.

South Korea's slump, too, is proving harder to shake than predicted. But in both nations, at least reforms are progressing and some economists continue to predict a modest upturn next year.

Even that is beyond hoping in Indonesia, where the fall of long-ruling dictator Suharto last spring has done nothing to improve the economy. It still takes five times more rupiah to buy a dollar's worth of goods than before the crash; with such a degraded currency, few companies in Indonesia can remain viable. Tens of millions of people have lost their tenuous grip on lower-middle-class status and fallen into indisputable poverty. The ethnic Chinese minority, whose enterprise and capital were essential to Indonesia's economic growth, were scared away by riots last spring, and the new regime has not done enough to persuade them to return.

While Thailand, Indonesia and South Korea were at the front of the line for international aid last fall and

winter, stronger Asian economies, such as those of Hong Kong and Singapore, are also suffering. Economic growth and economic reform alike are imperiled in China. And a new appreciation of the risks of investing in developing economies has helped fell Russia and now threatens some Latin American countries.

Early predictions that Asia's troubles would ricochet into America's heartland have not been borne out. Imports from Asia are not soaring, and the downturn may even have proved useful by dampening inflationary pressures in America. But complacency is unwarranted. The risks to European and U.S. stock markets, and to underlying economies, remain.

As ever, one key to Asia's recovery lies within Asia's largest economy, Japan; and, as ever, the signs are not encouraging. Although wealthy in accumulated savings and industrial might, Japan is in a prolonged slump. Its banks are burdened by bad debts, but a bank rescue plan is currently stranded in wrangling between a weak government and an uncertain opposition. It is true that Japan's cabinet is new and that democratic debate always takes some time. Yet it is also true that the sense of urgency with which Japan should be tackling its problems, for its own sake and for Asia's, still seems oddly absent.

—THE WASHINGTON POST.

Reno Targets Gore

With her decision to trigger a preliminary inquiry by Justice Department investigators into Vice President Al Gore's telephone solicitations, Attorney General Janet Reno has moved tardily and incompletely toward appointment of an independent counsel to investigate a small corner of White House fundraising during the 1996 campaign.

We would like to be able to assure her for a bolder embrace of her obligation to uphold federal campaign laws and discharge an attorney general's overarching duty to assure the integrity of federal law and the nation's electoral system. That is not possible given the narrow scope she has defined for the preliminary inquiry.

But we can at least praise her for making a start toward coquering her now legendary inertia and toward heeding warnings by the government's top campaign finance investigators that she has been misreading the law on campaign violations and her own conflict of interest in this matter.

To be sure, making Mr. Gore the target of the new 90-day inquiry that will determine whether the case gets referred to an outside prosecutor will win headlines, and the uninformed may praise Ms. Reno for political gumption. She is, after all, delivering a potential blow to Mr. Gore's presidential aspirations at a time when he has literally put an ocean between himself and the administration's ever blossoming scandals.

The outlines of the case against Mr. Gore look ominous. The new inquiry will be asked to determine if he lied when he told Justice Department investigators that he thought he was raising soft money, or party-building funds, rather than hard money, or direct contributions for campaign purposes. Some people who were in planning meetings with him may have told investigators that the vice president knew he was dialing for hard dollars, and one took notes suggesting

that hard money had been discussed. But whatever Mr. Gore did, his role was part of a much broader drama of reckless and possibly illegal conduct planned and executed with White House approval. Justice's former lead prosecutor, Charles L. Bell, has given Ms. Reno a report that is reliably said to argue that the Democrats conducted a conspiracy to evade contribution and spending limits by using soft money for candidate commercials disguised as issue ads.

As Senator Fred Thompson has pointed out, the other vast area requiring a prosecutor with no ties to Ms. Reno or President Bill Clinton has to do with illegal Asian contributions and the possible selling of White House access and input on policy discussions in return for contributions. There is also the more momentous question of whether the FBI was right when it warned before the 1996 election that the Chinese government wanted to funnel illegal contributions to candidates.

These questions feel elderly now because Ms. Reno has been aging them like a Virginia ham. But their familiarity does not mean they have been answered. Only a mind reader could know why she thinks Mr. Gore's telephone calls loom as a greater threat to the democratic process than millions in illegal foreign contributions, misuse of White House invitations, evasion of the Federal Election Campaign Act and possible meddling by another nation in a presidential election.

Under the Independent Counsel Act, if a prosecutor is appointed he can seek approval from a special three-judge oversight panel to expand his inquiry to related matters if he finds evidence of additional wrongdoing. Based on information that has convinced the FBI director and other weighty Washington figures, there is plenty to dig into, if only the attorney general would get all the way out of the way.

—THE NEW YORK TIMES.

Other Comment

The U.S.-Japan Link

The U.S.-Japan relationship is sometimes expressed in terms of our economic relations with Japan, our security relationship with Japan, military, economic, diplomatic, and sometimes we think of Japan as a rather separate entity in our relations. But really, these components are part of a long-standing and very overarching relationship. It is made up of a set of mutually reinforcing interests.

Neither the end of the Cold War nor the recent Asian financial crisis has fundamentally changed that basic calculus. Our military presence in Japan remains important for us, Japan and the region. It is the anchor of stability in the Asia-Pacific region and has allowed us and Japan to safely and securely live for more than a generation.

The U.S. forward-deployed pres-

ence also remains essential. Asia is rife with potential for conflict. There is a concentration of states with the world's largest military establishments, some of them nuclear-armed. It has historic rivalries and ethnic tensions that persist, and it has a diversity of social and economic systems and levels of economic development. Key nations in the region are also undergoing fundamental political, social and economic transitions.

No one can predict what the region will be like a decade or two from now. But it is hard to imagine that it will evolve economically and politically in the directions we desire without the stability secured by the U.S. presence in Japan or our forward-deployed military forces.

—From remarks by Thomas Foley, U.S. ambassador to Japan, in Washington on Aug. 19.

Russian Default Is a Blow to Global Capitalism

By Floyd Norris

NEW YORK — Russia's huge default on its debts, and the harsh terms it is offering to those foreigners who made the mistake of lending money to it, have petrified investors and are making capital much harder to get for other countries around the world. For that reason, the default is also increasing the risk of global recession.

Economically, Russia has never been as important as it was politically. Investors had assumed that the West would do whatever was necessary to prop up the Russians, if only to keep nuclear weapons from falling into the wrong hands. In fact, there seemed to be an assumption that private loans to nearly any government carried an implicit Western guarantee, although none had been promised.

"I would not give one nickel to help any creditor or investor," said Treasury Secretary Robert Rubin. Nevertheless, in previous bailouts engineered by Mr. Rubin, whether in Mexico in 1995 or in South Korea last year, investors in government bonds did well

because that seemed necessary to avoid economic collapse.

It was not news that Russia had big economic problems, or that the government had been unable to solve them. But until last week investors still thought default was all but impossible. In June, Russia was unable to borrow all the rubles it needed, even at extraordinarily high interest rates. But it was able to borrow \$1.25 billion in dollars from foreign investors, who were promised about 12 percent a year for five years.

An investor who bought one of those bonds in June and tried to sell it now would lose nearly two-thirds of the money invested. And naive investors are not the only ones who suffer. Funds managed by the international financier George Soros lost a lot of money, as did Credit Suisse First Boston.

What went wrong? The IMF package assembled this summer proved to be far too small, given the chaos in the Russian

government. The IMF lacked the money to put together the much larger package of aid that would have been necessary to avert default, and major Western governments, including America's, refused to put up their own money.

Now, with the safety net withdrawn, the ruble appears to be in free fall. Those who lent money to Russia are being forced to trade in their old securities, which promised extraordinarily high returns for lending money for only a few months, for securities yielding lower interest rates over a longer time. The risk is that, even assuming that Russia is able to honor its latest promises, the rubles it pays back will be worth far less than the ones it borrowed.

It is not clear now who is really in charge in Moscow. President Boris Yeltsin's choice of Viktor Chernomyrdin as prime minister needs parliamentary ratification, which may not be forthcoming unless he can reach agreement with the Communist leadership of the Duma. And even if that happens, there is no guarantee that the

government will be able to collect taxes and actually administer the country. The outlook for the Russian people is grim.

So, too, may be the outlook for countries far away from Russia, with economies and governments in far better shape. Investors, having awakened to the reality of risk, are pulling money out of emerging markets from Hong Kong to Brazil. At best, many governments will have to pay higher interest rates to borrow, putting a damper on growth.

At worst, they will find new capital unavailable at reasonable costs, and will have to strain to repay loans as they come due. Russia's direct importance to the world economy may turn out to be far smaller than its impact on investor psychology.

Perhaps the damage can be limited, and investors will decide that Russia's problems should not affect their views of, say, Argentina. But if not, economic incompetence in post-Soviet Russia could prove to be a bigger threat to world capitalism than Stalin ever was.

The New York Times

Strange Goings-On in Hong Kong, Bastion of the Free Market

By Philip Bowring

HONG KONG — The Russian crisis has focused attention on troubling developments in Hong Kong. On Thursday, almost all stock markets and many currencies plunged, but the Hong Kong market rose again on the year's highest turnover as the government bought huge quantities of stock, mostly from foreign institutions.

The Hong Kong taxpayer has become the Asian market

the buyer of last resort. Since official buying in this supposed bastion of the free market began on Aug. 14, an estimated \$6 billion of taxpayers' money has been spent driving up share prices by 20 percent. What began, allegedly, as a squeeze on speculators to defend the peg to the U.S. dollar has become a huge daily buying operation that has increased as selling from foreign investors has mounted.

Is the government departing from Hong Kong's reputation as a citadel of the free market and endangering its attraction as an international financial center? Does Hong Kong have

the stomach for the severity of recession necessary for successful defense of its currency peg to the U.S. dollar when almost all Asian currencies have fallen sharply?

Is Chief Executive Tung Chee-hwa's government responding more to the pressures of a hard-pressed but still megarich group of property and financial tycoons than to the wider needs of the economy?

The intervention has been conducted in the name of defending the Hong Kong dollar. It is accompanied by talk of "conspiracy" against the currency, and verbal attacks on "speculators."

The intervention is misguided. It bears the hallmarks of "crony capitalism" and failure to face reality seen in other Asian markets. Hong Kong's policy lurches are seen to contrast with Singapore's smooth, market-savvy handling of the Asian crisis.

The official logic of the intervention was that speculators against the currency had been

making money through taking short positions in the stock market. By handing out hefty losses to those with short index positions, the government hopes to discourage speculation.

That explanation ignores weightier factors. The pressure on the Hong Kong dollar was not initiated by speculators. It is caused by perceptions that the Hong Kong dollar is significantly overvalued after the steep decline of the yen and most other Asian currencies, and by increasing (if overblown) fears that China will devalue next year and make the cost of Hong Kong's peg unbearable.

Pressure on the currency has been increased by the government's own behavior, which suggests that it does not have the stomach to allow interest rates to rise to whatever level is necessary under its currency board system, to sustain the dollar peg. The Monetary Authority has been directly supporting the currency by selling dollars. In order to

protect asset prices, banks have been persuaded to keep the prime lending rate at an artificially low level.

Most of the forward selling of Hong Kong dollars is attributable not to speculators but to investors quite reasonably wanting to hedge their Hong Kong assets, and by local companies hedging U.S. dollar obligations, against the possibility of devaluation. Foreign institutional holdings of Hong Kong stocks are probably well over \$50 billion, and foreign currency borrowings by residents around \$60 billion. Much hedging is still needed.

Successful defense of the Hong Kong dollar implies acceptance that Hong Kong asset prices (and real incomes) may need to fall further if foreign capital is to be attracted back and competitiveness of the economy regained. Like Thailand in early 1997, the government has been using reserves to finance an exodus of capital. Like Japan, it will learn that propping up asset prices delays adjustment and prolongs recession.

The real world of free markets and massive capital flows is a harsher place than Hong Kong's business and bureaucratic elites realize. That explains why public money is being used to prop up share prices and finance a foreign investor exodus rather than increase investment or improve welfare and environment conditions during Hong Kong's worst recession since 1945.

International Herald Tribune

American Bungling Is Letting Saddam Off the Hook

By Jim Hoagland

WASHINGTON — Iraq stands on the brink of success in its long effort to stalemate United Nations inspectors searching for Saddam Hussein's weapons of mass destruction. Baghdad's rapidly coalescing victory is a substantial defeat for world order, for the United Nations and for the Clinton administration.

The UN effort, unilaterally halted by Baghdad three weeks ago, received a severe new body blow on Wednesday when Scott Ritter quit.

In a letter of resignation redolent with controlled frustration, the organization's most effective inspector said the UN Security Council had become "a sounding board for Iraqi grievances" and "a willing partner to an overall Iraqi strategy" to weaken the United Nations.

"Iraq is being allowed to renege the terms of the UN

cease-fire resolution that stopped the Gulf War," Mr. Ritter, an ex-marine major and veteran of the 1991 conflict, tells me. "It would mean that hundreds of Americans would have died in vain."

His resignation will resonate in Washington. Congressional committees will probe next month the administration's failure since last winter's war scare to provide effective diplomatic and military support for UN Special Commission inspectors.

The story of this failure is one of conflicting priorities, inept tactics and periodic neglect of this crisis, not of evil conspiracy. There is no desire in Bill Clinton's White House or at Madeleine Albright's State Department to make life easier for Saddam Hussein. The Clintonites would like to oust him.

The administration has mounted three separate covert operations, including a small, unpromising new effort that has been sketchily outlined to Congress. These efforts have undermined the anti-concealment team that Mr. Ritter headed in the UN Special Commission and its broad campaign to disarm Iraq more than they have undermined Saddam.

Mr. Ritter would not discuss the commission's use of intelligence reports with me. But he informally briefed Capitol Hill staffers with security clearances two months ago on a growing fear that has since become reality and public knowledge: The administration is so eager to avoid a confrontation with Saddam that it has abandoned promises to use force to make the Iraqis allow inspections.

The U.S. intelligence community was withholding logistical help and specific information from his inspectors, Mr. Ritter reportedly said. Worse, the administration was actively pressuring two foreign governments to stop providing special intelligence that the commission needed on the Iraqi Special Security Organization and Special Republican Guard units.

There may be some method in this seeming madness. These same elite units guard Saddam, and the CIA has repeatedly sought to penetrate and use them to stage a coup. Intelligence from agents in Iraq might be compromised at the United Nations, or Mr. Ritter's pursuit of Saddam's trusted guards might interfere with agency coup plotters, the CIA worried.

But the agency's comp efforts have been so woeful that withholding information from the special commission was, at a minimum, an unwise trade-off. Impartial sources see a disturbing pattern of professional rivalry and shortsightedness in CIA decisions.

In August 1995, for example, Mr. Ritter arranged to have more than 120 prohibited missile guidance gyroscopes being smuggled from Russia to Iraq intercepted in Jordan. He entrusted them to a senior Jordanian official to ship to the special commission for examination and exposure by the Security Council, according to two separate accounts.

But officials of the CIA's Middle East division got the gyroscopes away from the Jordanians through a ruse, refused Mr. Ritter's requests for the material he had discovered and told the Jordanians to cease dealing with him.

Last year the CIA helped trigger a continuing FBI investigation of Mr. Ritter for allegedly leaking secret U.S. information to other governments in his UN work, an accusation that he forcefully denies.

This committed ex-marine has come to personify the international community's once strong determination to deny Saddam the right to possess weapons of mass destruction. His resignation and the switch in U.S. policy risk making the special commission a shell of the valuable organization it was.

Mr. Clinton and Mrs. Albright need to re-examine the tactics they have chosen. The present approach ignores the fundamental point that Mr. Ritter makes: Saddam was allowed to avoid complete destruction in 1991 by promising the world to give up all his prohibited weapons.

Failure to enforce such a commitment on Saddam, the world's most flagrant user and hoarder of the new weapons of terror, will destroy any hope of effective international cooperation. And it will seriously undermine UN credibility with the American public.

Failure on Iraq will push the United States onto a solitary, unpredictable and expensive path outside the United Nations to confront these dangers. No one should want that.

The Washington Post

Spies in the Skies, Glut on Earth

By James Bamford

WASHINGTON — U.S. intelligence satellites, with their membrane-thin antennae as long as football fields, are quietly replacing clandestine agents as the principal tool for gathering information on terrorists.

One of the National Security Agency's likely targets is a satellite dish in Afghanistan used for worldwide communications by Osama bin Laden, a suspect in this month's African bombings.

But as the NSA develops better bugs to listen in on terrorists and other adversaries, it is losing its ability to rapidly sort through the reams of information to provide early warning of attacks.

At the same time, the most violent terrorist organizations have become nearly impossible for agents to penetrate. Many are made up almost exclusively of members who have known one another for generations. For added security, some groups have divided into semi-autonomous cells.

One small group may not know the plans or even of the existence of others in the same organization. Planting an agent in, or recruiting a member from, the right cell in the right country at the right time to foil an attack is clearly impossible.

But even the most tightly knit terrorist group must occasionally communicate, especially when planning an attack in more than one place at once, as in East Africa. Ex-

plosives must be ordered, money must be transferred, instructions must be sent.

From their sentry posts in space, the NSA's small force of satellites can listen in on all types of communication.

When a terrorist whispers into a telephone, his words get transmitted to a ground station, become amplified and disappear into space, where they are captured by the antennae of NSA satellites.

In the last few years the National Security Agency has played a major role in preventing several serious terrorist incidents. Intelligence officials will not give specifics.

There have been near misses. In 1983 the agency intercepted Iranian communications that pointed to plans for a terrorist attack just before the bombing of the U.S. Embassy in Beirut, but it did not discover any dates or locations. Three years later the NSA came within minutes of providing warning of the bombing of the La Belle discotheque in West Berlin, which killed three people, including two American soldiers, and injured hundreds.

The agency's big problem is not in collecting the intelligence but in processing it—converting raw data, some of it encrypted, into understandable information. So much intercepted data flows into the

agency that it must destroy more than 22 million pounds of paper a year. "Try to imagine," an NSA employee said in an internal document, "a stack of paper 6 feet wide, 6 to 8 feet tall and 20 yards long traveling along a conveyor belt towards you every 10 minutes all day long."

The agency uses supercomputers to search through intercepted communications for specific names and words, reducing much of the work.

But by the end of the Cold War the agency was reportedly able to process only about 20 percent of all the intelligence it pulled in. And by the mid-1990s that amount was estimated to have shrunk to a mere 1 percent.

It has always been far easier for the NSA to persuade Congress to provide more money for a sexy new piece of technology, such as a satellite with the ability to vacuum 50 percent more phone calls from the ether, than for 200 more analysts to sift through the mountains of information.

But with the number of international terrorist attacks increasing and the NSA's ability to analyze intercepted data decreasing, it might be time to think more about humans than about hardware.

The writer, author of "The Puzzle Palace," a book on the National Security Agency, contributed this comment to The New York Times.

1898: Soldiers Suffer

NEW YORK — The whole country rings with the sufferings of the battle-scarred soldiers now in camp. The Government officials have received the most severe arraignment in our history. Under such a severe lash of criticism the officials are pouring all sorts of relief into the fever camps, where the most horrible conditions prevailed. What has hitherto been done for the sick and wounded by private charity, is now undertaken by the Government. President McKinley issued an order allowing an expenditure of sixty cents a day for every invalid in hospital.

they are tired of the spirituous hooch at home. It has puzzled some hotel managers, because of the number of women who have had beer sent to their rooms. A considerable number of beer consumers hail from the Middle West, and their penchant for it is declared by them to be prompted by a real beer famine in their home sections.

1948: Ustachi Trial

BELGRADE — Yugoslavia's biggest trial ended when forty-three accused Ustachi war criminals and spies were condemned to death. Of these, eighteen will be hanged as a special mark of disgrace. All had returned from Italy, Germany and Austria for the purpose of carrying out espionage, terrorism and preparations for new imperialist aggression. The prosecutor attempted to prove that the accused were agents of the Vatican and "Western imperialists."

1923: 'Beer Famine'

LONDON — An unusual type of American tourist has hit London: it is the type with a thirst for beer. Some say that it is on medical advice that they are imbibing English beer, while others say

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OPINION/LETTERS

'War on Terrorism' Can Become a War on Sanity

By Flora Lewis

MIAMI — In what has become the manner of the times, the newly proclaimed "war on terrorism" is taking on a shrill, hyper-masculine tone that cannot help the United States deal with the problem. Some commentators seem almost gleeful at finding a dangerous new enemy to take the place of the Cold War threat.

To a visiting American, there is an astonishing intensity in the way news is presented to maximize the drama. The television reports, and most people get their news from television now, go on hour after hour, with interruptions only for commercials, the weather and sports, whether or not they have any information to offer.

It is as though nothing else is going on in the world except Monica Lewinsky and terrorism. Journalists and "consultants" interview each other endlessly on what they think about the facts they admittedly don't know. They spend so much time on camera that they cannot do much reporting beyond offering themselves as the audience for "spin control" briefings, so they are not prepared to ask probing questions.

Even the sober, serious ones, such as Ted Koppel, discuss at length the Armageddon that the terrorists may be preparing for the United States. There is some official deliberation behind this.

The government feels a need to arouse people so as to have full support for future action not yet thought through. Gone is the moderating, skeptical tone of a Walter Cronkite searching for some perspective and a basis for independent judgment. The more they talk, the less they say.

It reminded me of the time when President John Kennedy, seeking to mobilize people for the nuclear arms race, announced a program to have everybody build a family atomic bomb shelter in the backyard.

Fortunately, the idea was soon abandoned. A combination of dismay and ridicule, and a gradual understanding that terrorizing the country was not a good way to strengthen it, shot the program down.

The Saudi dissident Osama bin Laden, who has been around promoting his nefarious plots for a long time but was unknown except to Middle East experts, has suddenly provided a face to pin on the murky image of terrorism. It is as though he could be held to account for all of it.

Nobody asks for some clarification of just when the new war is to be fought against. Only Arabs, or are the Irish, the

militant Israelis, the Japanese cultists, the Colombian and Peruvian and Algerian guerrillas to be included?

Is the terrorist some kind of special breed to be identified by the color of skin, the length of nose, facial hair, a beard? Or is it only somebody who hates Americans?

There is little explanation of the background of Mr. bin Laden and the "Afghanis" — the people from many countries recruited to fight the Soviet invasion in Afghanistan with Pakistani sponsorship and American supplies and finance. The European press has made the point. The Financial Times called Mr. bin Laden "America's Frankenstein," a reminder that dirty tricks and covert action spawn more dirty tricks.

Even the dangerous implications of the missile attacks on Afghanistan and Sudan are brushed aside in the effort to appear faultlessly resolute. It has only just come out that the deputy chairman of the Joint Chiefs of Staff, General Joseph Ralston, was sent to be in Pakistan when the missiles hit the neighborhood, so he could convince the Pakistani military that the sudden strike was not an attack from India.

A misinterpretation of who was targeting whom could have led to a nuclear exchange between the two subcontinental enemies. That is an extreme

but factual example of why it is bad to stir up exaggerated fears with worst case terrorist scenarios.

For myself, I feel obliged to reserve judgment on the missile strikes. I favor doing whatever is possible to deter terrorism and punish its practitioners, but we don't know enough yet to tell if this was a good way and what chances it had of being effective. A sheer display of destructive power can serve the terrorists' purposes by heightening tension and hostility.

It was shocking to hear some congressmen and commentators jump to the assumption that Mr. Clinton decided on the spectacular retaliation for the bombings in Kenya and Tanzania to change the subject from the round-the-clock Monica Lewinsky coverage. In itself, that showed how much the scandal has damaged America.

There is a problem of credibility, having nothing to do with the president's sex life but much to do with the way important news is handled and opinion manipulated.

Maybe the American public, having been exposed to this kind of infodrama since the O. J. Simpson show bolstered ratings, is inured to its insidious effect. But that isn't reassuring. "War on terrorism" can become a war on sanity.

Flora Lewis

Baseball Isn't Just About Playing by the Rules

By Bob Herbert

NEW YORK — Androstenedione is legal in the United States, and Mark McGwire, a remarkably muscular man who hits home runs for a living, has a right to use it. Whether it is a good idea to use it is another matter.

Mr. McGwire, a first baseman for the St. Louis Cardinals, has had a glorious summer and is now closing in on the single-season home run marks of Babe Ruth and Roger Maris. Kids idolize him. Fans have been filling ballparks from coast to coast to watch him swing his mighty bat. When he comes to town.

MEANWHILE

It is not enough to see the ball game. You have to show up early enough to catch batting practice, to watch his screaming line drives and long, towering flies.

Even when Mr. McGwire is on the road he gets standing ovations. After a McGwire home run on Sunday at Pittsburgh's Three Rivers Stadium, the delirious Pittsburgh fans demanded a curtain call, an extremely rare honor for a visiting player.

Mr. McGwire is somewhat embarrassed, obliged. He stepped from the dugout and tipped his cap. The fans went wild. Later Mr. McGwire would say "I wish every baseball player could feel what I'm feeling now."

Androstenedione is a controversial substance, currently classified as a dietary supplement, that is taken in pill or capsule form. It is converted by the body into testosterone. Athletes take it because they believe that this temporary testosterone boost can help build muscle and increase strength and endurance.

Mr. McGwire, who in past years has lost substantial playing time to injuries, recently acknowledged that he used androstenedione. He said it increased the efficiency of his weight-room workouts.

This acknowledgment has cast a shadow over his dream season.

While it can be purchased over the counter and its use has not been prohibited by Major League Baseball (although the National League is now, belatedly, taking another look), androstenedione has been banned by the National Football League, the National Collegiate Athletic Association and the International Olympic Committee. Randy Barnes, Olympic shot put champion, is facing

a lifetime ban because he tested positive for androstenedione in April.

So what gives? Is Mark McGwire in better shape to hit home runs because he is taking a pill that promotes the development of lean muscle mass? A pill that can make a strong man even stronger?

Nobody knows. The Cardinals and Mr. McGwire issued a joint statement this week that said androstenedione "has no proven anabolic steroid effect nor significant side effects."

Charles Yesalis, professor at Penn State University and author of the book "The Steroids Game," said: "The whole idea is to convince people that you're not really taking a drug, that this is not cheating, and most certainly that you are not taking steroids."

Well, of course, this is a steroid. What is debatable is whether this is an anabolic steroid. Does it have anabolic qualities — tissue-building qualities?

Gary Wadler, professor of clinical medicine at the New York University School of Medicine and the lead author of the influential textbook "Drugs and the Athlete," said: "I don't think anybody particularly knows whether androstenedione itself has anabolic qualities. But the substance that androstenedione is converted into unequivocally has anabolic properties. It's the father of all anabolic steroids: testosterone. So if, in fact, depending on the dose — a critical issue — if you can raise the amount of testosterone in your blood by taking enough of this stuff, then it's anabolic, provided you lift the weights and do all the other stuff."

The U.S. Drug Enforcement Administration is looking at androstenedione, but federal officials have not determined whether it should be regulated and controlled as anabolic steroids. Too little is known about it, officials said, including its long-term effects.

So Mark McGwire is operating safely within the boundaries of the law and the rules of his sport. But there are other considerations.

Each new home run gives the nation a thrill. As Mr. McGwire draws closer to Babe Ruth's 60 and Roger Maris's 61, each at-bat will likely be televised live to the nation. A lot of young people will be looking on, admiring their hero, trying to follow his example, trying their best to be like him.

The New York Times

Democrats' Mixed Feelings

By E.J. Dionne Jr.

WASHINGTON — As President Bill Clinton desperately seeks escape from the Monica Lewinsky scandal, one group matters to him above all: Democrats in Congress, especially Democrats in the House, where an impeachment move would originate.

Mr. Clinton needs their firm support. What he's getting is much less: division, worry, anger and, in some cases, pure agony.

Take one Southern Democrat generally sympathetic to Mr. Clinton's policies, a steady politician who prizes rationality over passion. This House Democrat, one of a half dozen interviewed, was surprised that Mr. Clinton's admission affected him so much, even though he did not believe the president's denials in the first place.

"The impact of the half apology and how much deception had gone on and how many people had been used hit pretty hard," this House veteran said. "Some loyal Democrats are hurting about this."

Representative Louise Slaughter, Democrat of New York, was unabashed about putting her rage on the record. "I am very angry with him," she said, "and I do not understand how a man who is as smart as he is, and had that lawsuit hanging over his head and was under investigation, could have done this."

But to get a fix on the mood of House Democrats, understand that their anger at Mr. Clinton is accompanied by fury at the independent counsel, Kenneth Starr, and the process that brought the country to this point. Ms. Slaughter condemned a "disgraceful performance on everybody's account."

Representative Tom Allen, Democrat of Maine, said "the president behaved very badly," but added, "You have to look back and ask why he has been

asked these questions in the first place." "I don't think this democracy can survive this level of investigation, either in the presidency or in the Congress," Mr. Allen insisted. "You take all the issues people care about off the front pages."

Besides anger at Mr. Clinton and Mr. Starr, there is an ineluctable third factor: public opinion. Many Democrats say they are running into the same sentiment in their districts: that the polls are reflecting nationally: a desire to get over this quickly.

Representative Jim McGovern, a first-term Democrat from Massachusetts, told of an encounter with a group of senior citizens in the town of Swansea. "I got up and said I should probably say something about the president's speech. A lady in the back got up and said: 'I don't give a damn. Tell me what you're going to do to save my Medicare.' And everybody erupted in applause."

A Democrat from a Western state who asked not to be named said many voters "didn't want to have confirmed what they already knew" and were angry at even having to think about Mr. Clinton's personal behavior.

"People are always saying that the president 'compartmentalizes,'" this Democrat said. "But the voters compartmentalize, too." They do not think of Mr. Clinton as a "friend" whom they judge in personal terms, but "as someone who is doing an impossible job rather well."

This may explain, as the Democratic pollster Mark Mellman said, why "after eight months of relentless discussion, debate and revelation, the need of public opinion hasn't moved" in its judgment of Mr. Clinton's performance in office.

Still, House Democrats are not con-



vinced Mr. Clinton's numbers will hold. They do not know what will be in Mr. Starr's report. They have no idea how this matter will be playing when voters go to the polls in November.

The House Democratic leader, Richard Gephardt, has been careful to reflect this complex of anger, worry and calculation. He is trying to protect his legs from the president's trouble and has condemned Mr. Clinton's actions as "reprehensible."

At the same time, he has warned Republicans not to turn the case into "a politicized, partisan street fight." The message: If Republicans pick such a fight, they might do the one thing that could unite Democrats. That is why the House speaker, Newt Gingrich, has been shrewd in being uncharacteristically nonpartisan since the Clinton speech.

But underneath the politics are the personal feelings.

Politicians have them, too. Here is one House Democrat from the Northeast: "As someone who's been a big supporter of the president, I'd like to say let's get this behind us and move on to

the issues we care about. But the mood seems to have changed, even though the polls haven't. I begin to worry that we really can't put this behind us. It's extremely disappointing. It's reckless."

The Washington Post.

LETTERS TO THE EDITOR

A Plea for Kosovo

We are writing as a group of concerned United Nations Associations to call for a more comprehensive approach to the tragic crisis in Kosovo.

We call for the UN Security Council to:

• Continue to strive for a cease-fire and for the Kosovars to adopt a united negotiating position.

• Enhance considerably its capacity to monitor its existing arms embargo and ban on potentially repressive equipment.

• Put President Slobodan Milosevic under greater pressure to comply with the Council's demands, given

that he is more to blame than anyone else for the destruction of former Yugoslavia; and start to work on a package of further sanctions if he fails to do so.

• Develop urgently a resourceful humanitarian and repatriation program.

• Secure an early agreement for a major increase in the number of international human rights monitors.

• Seek to ensure that linguistic and other cultural rights of the Kosovars are built into a newly decentralized autonomy for Kosovo.

• Plan, as a very last resort, some form of UN-authorized and UN-controlled peace enforcement force to avoid ma-

jor bloodshed and maintain it on standby as support for a diplomatic drive; and, as a happier alternative, a peace-keeping force to help oversee an agreed cease-fire.

While we certainly do not underestimate the colossal task facing the international community in this tragedy, we are convinced that strengthened efforts to move forward are urgent and essential.

MALCOLM HARPER, London.

The writer, director of UNA-UK, signed this letter along with the heads of United Nations Associations in Canada, Luxembourg, the

United States, the Netherlands, Denmark, Germany and Iceland.

Sure, Only Drunks

I agree with Jeff Jacoby ("Their Real Aim Is to Annoy as Many People as Possible," *Meanwhile*, Aug. 26). Only drunk drivers should be required to undergo roadblocks, saving sober drivers untold aggravation. Also, the police should only arrest people who will be found guilty and only dishonest businesses should be audited.

Finally, only aircraft that are unsafe should be inspected.

LAURETTE TUCKERMAN, Paris.

CROSSWORD

ACROSS
1 Medical soap
10 There's no disputing it
17 Days
18 Arid matter
19 Upside, with "up"
20 March time
21 Cow
24 Encyclopedic
26 They're crossed in competition
27 Where Alexandria is
28 Pendulum paths
32 Outer limit
34 People in these know the ropes

35 Twiddle
36 One showing empathy
38 "Tanic" (1979 movie)
39 Desires for, as collocation
41 Vulcan, for one
42 Portulaca
43 Rock locale
45 More wise
46 "Your Erroneous Zones" author
47 Penny
48 Bouquet source
51 Access, with "into"
53 Muscle: Prefix

54 Safe from a storm, as a plane
56 Felt feverish
58 Mail material
DOWN
1 Kind of feeling
2 "Another Green World" composer, 1975
3 Pendulum of "Northwest Passage"
4 Qualifies
5 Classic British cars
6 Latin lover's word?
7 High pitch
8 The sound of silence
9 Bony
10 Here and there
11 Fraternity letter
12 Charged, in a way
13 A bird
14 Development unit
15 Amount to make do with
21 Opposes boldly
22 Displace
23 Figure of speech?
25 Carbon monoxide's back

27 Goose egg
28 Politico's concern
29 "Gil Blas" author
30 Whistle blower
31 Put forward
32 Amtrak offerings
33 Supporting member
34 Soft-rayed food fish
35 High-tech form of rescue
36 Dance in quadruple meter
37 "A Garmen Requiem" composer
38 Doctor's order
39 Buckle
40 Supporting member
41 Double negative?
42 Spanish Philip, informally
43 Ford make, for short
44 Haitian season
45 Have an "allusion"?
47 Cast
48 Shuffling points
49 "Riddle-me-This" ("Guess")

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Solution to Puzzle of Aug. 27
BAGS MUTT REAP
UNIT AMOST URGE
TELE MORAM TOAT
WATTHRE MORE
KAREAGREATGIFT
DAMS RAMPS OAW
CAR DIODY LVI
OMA GENIE STERN
NOTSOLDINGSTONES
ALL EAR
ANDIFYOAGTHROW
OAG UNCLE AIAK
UNDO POLE BAIT
AISIN RAGE OTLS

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Leisure

Georgia's Rich Spiritual Heritage

By Stephen Kinzer
New York Times Service

Tbilisi, Georgia — Cool mist from the nearby Caucasus Mountains enveloped the stately Svetitskhoveli Cathedral as a bus full of Orthodox monks pulled up one afternoon last spring. After stepping off the bus, they walked slowly around the cathedral, their chants adding in the evocative spirituality that surrounds this place.

Then the monks entered the cathedral and greeted priests inside. As they offered a benediction beneath the frescoes and inwoven dome, three young boys beside the altar sang in lilting harmony. A while later the monks filed out, stopping to kiss gold-framed icons.

A mystic aura hangs over Svetitskhoveli, about 25 kilometers (15 miles) north of Tbilisi, the capital of Georgia, and over the many other churches and monasteries that dot Georgia's verdant countryside.

Taken together, Georgia's famous religious buildings constitute a magnificent architectural and ecclesiastical heritage. Their ascetic facades and majestic interiors have made them a central part of the Georgian consciousness, contributing to a sense of nationhood through successive invasions and conquests.

Georgia has not had an easy time of independence, which it declared in 1991 after the breakup of the Soviet Union. A nation of 4.5 million, it has been shaken by civil conflict. Today nearly one-fourth of its territory, including some famous Black Sea resorts, is controlled by separatist groups. These regions are out-of-bounds for most visitors, but much of the country is peaceful.

The tourists who are beginning to arrive in small numbers are rediscovering Georgia's wonders: high mountains and vast meadows, unspoiled villages and a remarkable architectural tradition that reached its peak in dozens of churches, cathedrals and monasteries.

The history of the Georgian Orthodox Church is full of legends as rich and amazing as its edifices. Touches of the secular are often close to the surface. One of the grand columns supporting Svetitskhoveli, for example, is ringed with carved grapevines, a vivid tribute to Georgia's age-old love of wine.

On the northern facade is a carving of an arm and hand, with the fingers clutching a bevel. This is not a Freemason's symbol, as it first appears, but a reference to an eerie tale from the 11th century, when much of the present cathedral was built. According to the sto-

ry, a renowned architect named Arsukidze was commissioned to rebuild the original fifth-century basilica. He succeeded, creating what one historian has called a "masterpiece of the early Georgian Renaissance."

But a royal minister who had been Arsukidze's mentor was outraged that his pupil had so brilliantly surpassed him, and ordered his right hand severed as punishment. An inscription above the carving reads: "This is the hand of Arsukidze, servant of God. Pray for him."

That story is only one of many connected with this cathedral. Another is about Sidonia, a first-century convert to Christianity who is said to have died from the emotion that surged through her as she clutched Christ's robe. Sidonia's brother was said to have bought the robe from a Roman soldier, and in death she held it so tightly that it could not be pried from her grasp. She was buried with it beneath what is now the floor of Svetitskhoveli.

This story, according to Georgian theology, makes Svetitskhoveli the second most sacred place in the Christian world, following only the Church of the Holy Sepulcher in Jerusalem. A scale model of the Holy Sepulcher was built inside Svetitskhoveli 700 years ago.

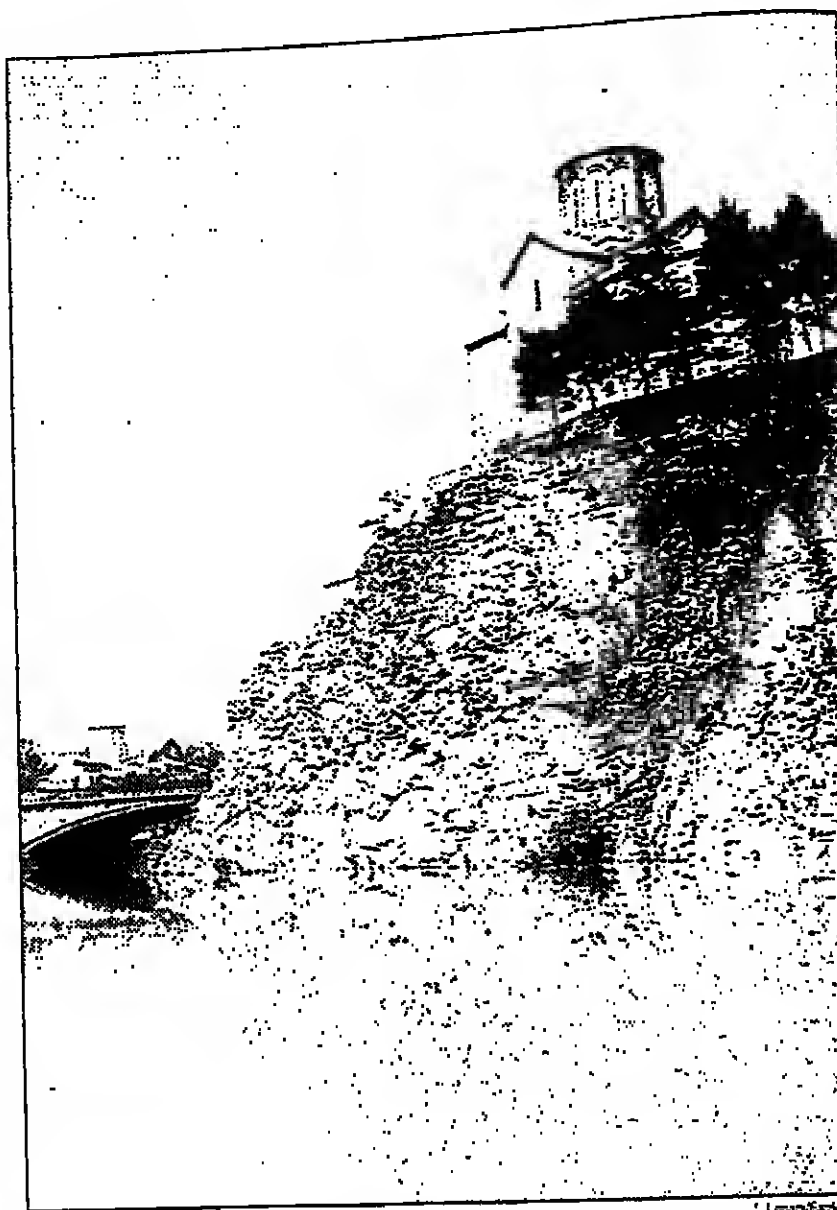
CITY OF CONTRASTS

Like most foreigners who come to Georgia, I began my trip in Tbilisi, the capital. The main avenue, Rustaveli Prospekt, reflects the city's contrasts, with chic boutiques facing a hotel overflowing with refugees from civil conflicts. The Sioni Cathedral, the seat of Georgian Orthodoxy, is in the old town. There has been a church on this site since about A.D. 600, and most of the existing edifice dates to the 13th century. Its walls and ceilings are completely covered with murals.

A few miles from the Svetitskhoveli Cathedral, Samtavro monastery is a tranquil place, a complex of buildings set among grassy groves. I was greeted by a group of nuns sitting outside drinking wine in memory of one of their departed companions. They told me that St. Nino herself had often prayed at this site.

The existing Samtavro church dates from the early 11th century. Frescoes that once covered the walls, like many in Georgia, were whitewashed by 19th-century czars or 20th-century bolsheviks.

From Samtavro I drove to the top of a high cliff outside Mtskheta, which was Georgia's ancient capital, to visit one of the country's oldest churches. The Dzivari Church of the Holy Cross was



The Metekhi Church of the Virgin, on a hill overlooking Tbilisi's old town.

built in the sixth century, supposedly on a spot where St. Nino had overseen the destruction of pagan idols and erection of a Christian cross 200 years earlier. A small gem of early Georgian architecture, not in perfect condition, it has mercifully been left alone by restorers.

Even though Dzivari is not an intricately ornamented church, its location and sweeping views over the confluence of two rivers and its role as the symbol of Christianity's triumph in Georgia — combine with its austere architecture to make it a deeply memorable place.

No trip in Georgia is complete without

a visit to the ancient wine-growing region of Kakheti, where every village claims to produce the world's finest wine. Before sitting down to sample the local wine, I stopped at the ruins of the sixth-century fortress and cathedral complex at Ninotsminda. The walls, built to protect the complex from Persian invaders in the 16th century, are in fine condition, and what remains of the cathedral is even older than the one at Dzivari.

Back in Tbilisi, I realized that I had not visited the city's most visible church, the Metekhi Church of the Virgin, which is perched on a rocky hill overlooking the old town.

The 11th, 12th and early 13th centuries were Georgia's golden age. The age was launched by the formidable king known as David the Builder, who defeated Muslim armies and captured Tbilisi but established a policy of religious tolerance and encouraged art and culture that reached a peak under David's great-granddaughter Tamara. She ruled from 1184 to 1212 and presided over an epoch that produced the national epic poem, Shota Rustaveli's "The Knight in the Tiger's Skin."

There has been a church at the Metekhi site since the earliest days of Georgian Christianity. The present edifice, while certainly not the most moving of Georgia's churches, is perhaps the most symbolic.

Standing under an imposing equestrian statue of King Vakhtang Gorgasali, who ruled in the fifth century and played an important role in consolidating Georgian Christianity, you can see the old town and surrounding hills and gaze out at the towering statue of Mother Georgia, the all-inclusive national symbol. She holds a sword in one hand to symbolize Georgia's will to resist enemies, and a wine goblet in the other to show the pleasures she offers to her friends.



The capital's medieval old town contrasts strikingly with the modern city of Tbilisi.

Lucerne Festival's New 'Star': A Striking Concert Hall

By Alan Riding
New York Times Service

LUCERNE, Switzerland — It is perhaps a measure of the mysterious power of opera that in Lucerne is far less well-known than those of, say, Salzburg, Bayreuth, Aix-en-Provence and even Glyndebourne. Of these five, Lucerne alone does not present opera, limiting itself to a busy program of concerts and recitals. And that, it seems, suffices to give it a more modest place in Europe's crowded calendar of festivals.

Yet, if judged by quality rather than publicity, Lucerne's International Music Festival is hard to match. The Berlin Philharmonic Orchestra, the Vienna Philharmonic and the Royal Concertgebouw Orchestra of Amsterdam show up here every summer, while this year's four-week festival, which runs through Sept. 16, is also presenting the Los Angeles Philharmonic Orchestra, the Chicago Symphony Orchestra and five other leading ensembles.

Similarly, this year's roster of big-name conductors includes Claudio Abbado, James Levine, Daniel Barenboim, Kent Nagano, Esa-Pekka Salonen, Riccardo Chailly and Lorin Maazel. Further, there are piano recitals by Maurizio Pollini, Andras Schiff and Barenboim, as well as recitals by the violinist Anne-Sophie Mutter and the mezzo-soprano Cecilia Bartoli.

Yet, for all that, the real star of Lucerne's 60th music festival is architecture in the shape of a striking new concert hall. Designed by the French architect Jean Nouvel, it forms part of a

\$134-million Lucerne Culture and Convention Center, which will include a multipurpose hall, a convention center and a Museum of Fine Arts when completed next year. The concert hall was inaugurated by Abbado and the Berlin Philharmonic Orchestra on Aug. 19.

For this centuries-old city, the ultramodern center, with its glass and multicolored steel facade and its dramatic cantilever roof that projects more than 100 feet (30 meters) beyond the main building, represents a dramatic break with tradition. Standing on the edge of Lake Lucerne, it looks out toward 17th-century houses, an ancient wooden bridge and medieval stone watchtowers.

Had Nouvel's original plan been accepted, the center would have been even more revolutionary. In 1990, he won a competition with a design that would have had the center jutting out on the lake itself, but the city council then asked a Swiss architect, Rodolphe Luscher, who placed third in the competition, to build the complex.

THE WATER FACTOR Two years later, Luscher was dropped and Nouvel was recalled, but on condition that the lake remain untouched. "If I cannot go to the water, the water shall come to me," he decided. And with that, he designed two channels of shallow water that run through the complex and effectively separate it into three sections.

The 1,840-seat concert hall, though, was to prove his greatest challenge. His brief was to design what is known as a "shoe box" hall — that is, rectangular with a flat ceiling. "This is what conductors and music lovers prefer," he

noted. He added four balconies, each with narrow "arms" that stretch along either side of the hall, while four rows of seats were included behind the orchestra below the organ.

But before construction began, Nouvel was joined by the renowned American acoustician Russell Johnson. The connection was fortuitous — while conducting at the Symphony Hall in Birmingham, the festival's director, Matthias Bamert, was impressed by the acoustics designed by Johnson — and would prove felicitous. "I am the guardian of the eye," Nouvel explained. "Russ Johnson is the guardian of the ear."

Apart from including a traditional flexible canopy and identifying the natural reverberance of the floor, stage and walls, Johnson and his Artec Consultants staff introduced heavy pivotal panels covered with hollow geometric motifs on either side of the hall. Depending on the needs of the music, these panels remain closed or can open to any angle up to 90 degrees.

"The audience must be able to hear in every seat," explained Johnson, mapping decades of experience in concert halls around the world. "The conductor and musicians on stage must also hear each other and have a sense of what it sounds like in the hall. The aim is simultaneous clarity with some reverberance. You also have to work very carefully to get the silence right. The acoustician builds his signature on that silence."

After the inaugural concert, comprising Wolfgang Rihm's 1995 composition, "Inscrift," and Beethoven's Ninth Symphony, Abbado gave an enthusiastic thumbs-up to the

acoustics. The Welsh bass-baritone Bryn Terfel, who performed in the Beethoven symphony, said the sound in the new hall was "wonderful."

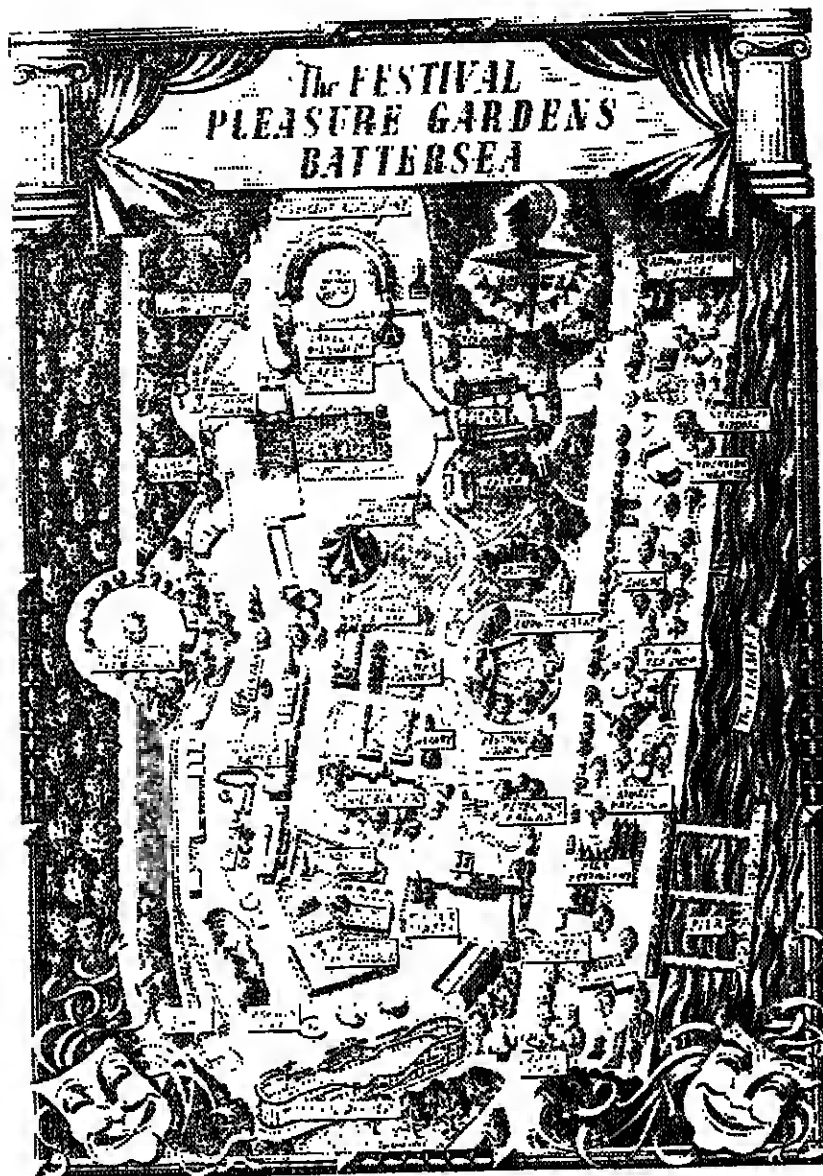
Johnson, though, expects to work here for another three years before he is satisfied with the acoustics.

Bamert, the festival's director, could not be happier with the result. And, having run the festival since 1992, the soft-spoken Swiss conductor, also the music director of the London Mozart Players, now feels ready to leave his post here at the end of the year.

BEFORE then, though, to an existing annual Easter Festival, Bamert is adding a new Lucerne Piano Festival from Nov. 19 to 22, all part of a strategy to make as much use as possible of the new concert hall (which will also become the permanent home of the Lucerne Symphony Orchestra). Further, he has organized a symposium, "The Festival in the 21st Century," from Aug. 30 to Sept. 2 this year, to stimulate debate among musicians, cultural managers and politicians over the future of festivals.

With the new facilities, might Lucerne also be bending to the temptation of opera?

"Of course, with a hall like this we can now contemplate putting on semi-staged operas," Haefliger said. "But my main challenge will be to persuade great orchestras and conductors to keep coming here, perhaps even to stay a little longer. I'd also like to influence the programs a bit more. Next year's theme is the myth, the myth at the end of the century."



Map designed for the 1951 Festival of Britain by Leslie S. Haywood.

Restoring Past Glory To a Park on Thames

By Barbara Rosen

LONDON — When floods of tourists descend on Chelsea for the annual Flower Show, their cars and buses cross the Thames River to park, empty, in Battersea Park. But in the 19th century, before the Chelsea Flower Show existed, Battersea Park was known far and wide as a capital of horticultural excellence. And now the park's managers plan to ring in the millennium with a major restoration aimed at returning these 200 acres (80 hectares) on the Thames's south bank to its rightful preeminence and popularity.

Battersea Park has emerged from relative obscurity before. A slide that followed World War I was splendidly — and very determinedly — halted with the 1951 Festival of Britain, which put it back on the global map. "Welcome the World!" read the festival guide. "Come, set sail for Battersea and run: Before the fair soft wind of '51... Nor, pray, forget the 'sea' in Battersea: Old Father Thames is just behind that tree."

Jennifer Ullman, the park's manager, said, "It was the way that we all being hyped to go to the Millennium Dome now."

But these days, while the park remains a lovely green oasis that offers something for most age groups (it attracted an estimated 3 million visitors last year), it's largely the locals who enjoy the children's zoo and tennis courts, the boating lake and bowling green, aside from the occasional big event like an ATP tennis tournament in February.

"It's not as yet on the tourist trail," concedes Mike Wilkinson, chief parks officer for the governing Wandsworth Borough Council.

Horticulturally speaking, Battersea Park is far from what it used to be. And leftovers from the 1951 festival stuck out like sore thumbs and can literally be tripped over. "Things have been deteriorating for a long time," Ullman said. That's due to change once more, with what is being billed as the largest single park restoration scheme in Europe — a £10.4 million (\$16.6 million), four-year plan financed by the Heritage Lottery Fund and Wandsworth Council.

Wandsworth originally hid, unsuccessfully, for money from the National Lottery's Millennium Fund, proposing such innovations as artist-designed flower displays and steel-and-glass riverside shelters. A subsequent, successful appeal, to the Heritage Lottery Fund, played strongly on the park's historical background.

Park lovers are delighted that innovation lost out.

THE YEARS OF NEGLECT

"It is basically a Victorian park, and it's had years of neglect and change — not all of it for the better," said Elaine Hodges, secretary of The Friends of Battersea Park, a 750-member support and lobbying group. "Most of our members are keen to have the park as a green, tranquil place," she said. Sports facilities and parking lots, will be upgraded, but they will also be concentrated geographically and hidden behind hedges, with prominence given to the Victorian bridges and benches that characterized the strolling and sitting parks of yore.

Festival leftovers, such as the foundations of dance pavilions and tea-houses long gone, will be razed. But other festival features — though at odds with the original Victorian layout — have become worth restoring in their own right. For example, Ullman, an American art historian turned garden restorer and historic administrator, was astonished to discover that the Festival Gardens

included one by Russell Page, whom she puts in the top five of this century's landscape designers. Renowned for geometric and highly colorful designs, Page mostly did private homes rather than public spaces.

"I couldn't believe my luck," she said, adding that the park's supporters knew the garden was "important," but "they really didn't know what it was." Half a century ago, the festival planners paid homage to Page's prominence but scant attention to how that would work in the park's Victorian setting: The 5,000-square-meter (53,888-square-foot) area he designed flatly contradicts the park's north-south axis.

The Festival Gardens had been sort of dropped into the design without any thought to the effect, Wilkinson said.

Today, though the general shape of Page's garden remains, little else does. The garden will not be reoriented, but it will be overhauled from seeds to seeds, and the transition from sedate Victorian style to the ornate, more colorful Festival Gardens will be smoothed over visually.

Yet with all this looking back, the park planners have one eye focused firmly forward. Returning Battersea to the height of horticultural excellence means making use of the best that contemporary science has to offer.

Ullman said that John Gibson, the park's first superintendent, was a pioneer in the use of bedding plants — brightly flowered carpets that are rotated with the plants' high seasons. But Gibson's greatest legacy lies in the 25,000-square-meter Subtropical Garden, where he built raised earthworks and warming beds to create an enclosed, yet outdoor, microclimate. There he displayed precious species brought home by globe-trotting Victorians, and dug them up when the weather turned cold.

THE CUTTING EDGE While raised mounds and signposts still designate the Subtropical Garden, the intricate displays are long gone. The restoration plans involve using "cutting edge" garden archaeology to identify the original layout, features and actual plants, and in re-create the garden with hardier species that can stay in the ground year-round, Ullman said.

Battersea Park's restoration is due to finish in 2002, but is being scheduled to take full advantage of the millennium hype. Events such as an international track meet and environmental weekend are planned here. Among the first tasks slated for completion is a new landing stage on the Thames for a projected river bus service that could take visitors all the way to the Millennium Dome in Greenwich.

The one-kilometer Riverside Walk is also being rebuilt, and the embankment wall lowered to re-create at least the rough dimensions of the view Victorians found so pleasing. Still, reminders of modernity will remain all around.

Within the park itself, where the north-south axis meets the river, the enormous, gold-leaf "Peace Pagoda" was a 1985 gift from the Nipponzan Myohoji Order of Japanese Buddhist monks to the then-governing, leftist Greater London Council, before it was abolished by Margaret Thatcher's Conservative government and the park passed under the control of the Wandsworth Borough Council.

Though it interrupts the Victorian vista, the pagoda, too, will remain, (with its caretaker monk), a shining example of the inexorable march of time and, Wilkinson notes with a wry smile, "the GLC's parting shot to Wandsworth."

Barbara Rosen is a free-lance journalist based in London.

THE FREQUENT TRAVELER

GOOD TRAVEL DEALS

Businesswomen Want a Far Deal

By Roger Collis
International Herald Tribune

WHEN I first wrote about the problems facing women traveling on business, it was a story of harassment, humiliation, loneliness, discomfort and danger. It was more to do with attitudes. Women did not ask for special treatment, just the same service and respect as their male counterparts.

And there were signs that the travel trade was starting to shape up, abandoning its more egregious practices, such as bawling out room numbers across the lobby, assuming that a man and woman checking in together want a double room or asking a woman to prove she is a registered guest when ordering a drink in the lounge.

Today, it seems, little has changed — according to the results of a survey conducted recently by Total Research Corporation of Princeton, New Jersey. Even though women now account for a growing proportion of business travelers — 40 percent in the United States and more than 20 percent in Britain — they say they are still not getting a fair deal on the road. The survey, to be published in September, reflects the views of 217 women in the United States and 136 in Britain who travel frequently.

Personal safety is an overriding concern among 91 percent of respondents:

- "Airlines should make more secure arrangements for women travelers when planes are delayed or arrive very late at night."
- "Hotels pay scant attention to giving women secure rooms away from stairwells and elevators."
- "Airports should provide a security

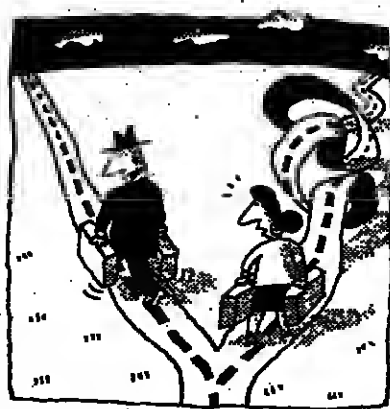


Photo: A. Schmitt

presence at taxi/shuttle pickups late at night and ensure well-lit, secure parking lots."

A majority of the women surveyed say they are short-changed on service and amenities, with 66 percent saying that men are treated better — especially by female staff. All airlines receive low image and performance scores, mainly because of "rudeness and lack of help from staff and the perception that men get preferential treatment." On a scale of one to 10, the top airlines in terms of "perceived quality" are Virgin Atlantic (7.29), Swissair (6.90), Lufthansa (6.82), British Airways (6.60). But performance scores were at least one point lower in each case.

The hotels rated best on perceived quality versus performance are: Four Seasons (8.46/7.20), Westin (7.34/6.27), Marriott (7.27/6.29), Hyatt (7.15/6.2). British respondents rated Sheraton (7.27/6.85), Marriott (7.12/6.29) and

Radisson (7.06/5.9) most highly for both image & performance.

Car-rental firms score thus: Hertz (6.89/5.51), Avis (6.61/5.39), National (6.32/5.13) & Europcar (6.14/5.27).

David Dier, marketing director of Total Research in London, said: "I was worried that I'd end up with a whole set of obvious juries. I'm not surprised that security costs through as the big issue."

"What is surprising is the strength of the message. There's a mind-set among traveler suppliers that they're delivering what work travelers want, but the reality is, they're not."

Victoria Mather, travel editor of *Tatler* magazine, said: "I don't particularly worry about security. But I think a woman who is nervous about traveling probably shouldn't stay in one of the big big midrange hotels — they're anonymous; nobody knows you. Go somewhere small or expensive with a good concierge and staff who can watch over you."

Some improvements are in progress, however. Summit International's Royal Park Hotel (Tokyo) has opened a check-in desk for women travelers with a female clerk to can advise on entertainment and dining venues.

London is getting a new chain of "female-friendly" bars called The Fine Line. Full Smith & Turner, independent brews who own many of the capital's public houses, one that is light and airy and comfortable, offering both bar and restaurant service and a varied menu.

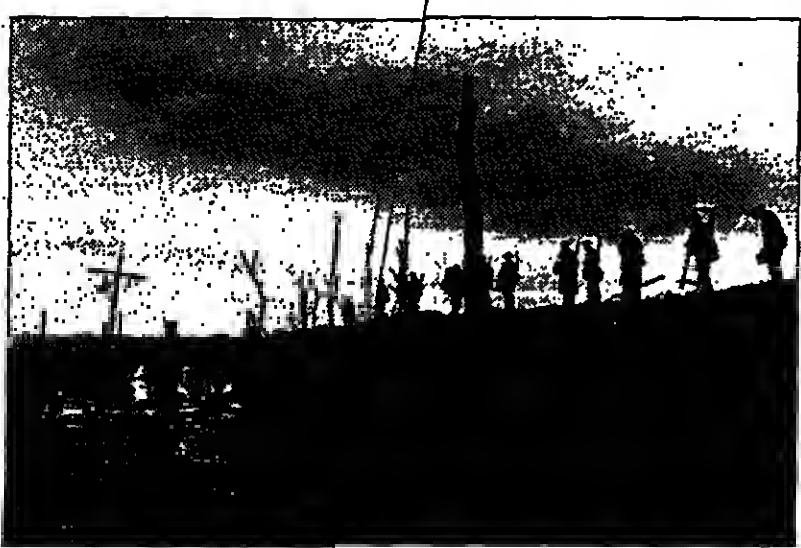
The first two Fine Lines opened in July at 33-37 Northcote Road, Battersea, at 236 Fulham Road. Another four are to open by the end of the year.

MOVIE GUIDE

REGENERATION

Directed by Gillies MacKinnon. U.K., Canada.

After serving heroically during the first part of World War I and winning a medal for bravery, the British poet Siegfried Sassoon famously experienced a change of heart. In 1917, feeling that the war was no longer one he could sanction, he wrote a declaration that cited his objections, a document that was read aloud in Parliament. Because of this, Sassoon faced a choice between being court-martialed or being sent to a mental hospital. Urged to do the latter by his comrade Robert Graves, he entered Craiglockhart Hospital, a castle just outside of Edinburgh, with his defiance undimmed. Based on the novel by Pat Barker — the first in a World War I trilogy that culminated in the Booker Prize-winning "The Ghost Road" — and adapted thoughtfully by Allan Scott, Gillies MacKinnon's "Regeneration" is about the experiences of Sassoon and a number of shell-shocked soldiers in this institutional setting. It's also about the profound ways in which the doctor who treats them, William Rivers (Jonathan Pryce), is affected by what he sees and hears. Rivers is greatly changed by his debates with Sassoon and several other patients. One of them is Wilfred Owen (Stuart Bunce), encouraged by Sassoon to write the stinging war poetry for which he became posthumously celebrated. Though "Regeneration" has been ready for a while, it now arrives alongside "Saving Private Ryan" to delve vividly into the experience of the battlefield and the moral questions that combat engenders. And if this historic, subtly acted film also pales somewhat in comparison to its more spectacular Hollywood counterpart, it stands out as a stirring and articulate exploration of warfare and its consequences. With battle remembered by the traumatized



"Regeneration," based on the first book in Pat Barker's World War I trilogy.

soldiers as a panorama of muddy horrors, and hauntingly captured by MacKinnon, "Regeneration" addresses difficult questions about what these men and should do with their futures. The film presents a catalogue of psychic wounds, from the sudden mumps and memory loss suffered by Fry (Jonny Lee Miller) of "Trainspotting," a tough and embittered working-class soldier, to the damage that subtle another soldier to electroshock therapy. Meanwhile, these men also attempt to make sense — or, in Owen's case, art — of what they have been through. And Rivers finds himself increasingly shaken in his certitude that he can cure such deep-seated injuries or that he should. The film's best moments present the intense debate that rages between Sassoon and the doctor throughout their shared interlude. James Ivory, best

known here for his starring role in "Maurice," gives Sassoon a dignity and forcefulness that lend urgency to his qualified pacifism. And Pryce makes a thoughtful, moving Rivers, a man whose crisis of conscience rises to a par with that of the poet. (Janet Maslin, NYT)

TOKYO EYES

Directed by Jean-Pierre Limosin. Japan.

Foreigners' films about Japan are few, and most are as Japanese as a Chinese restaurant. — Peter Greenaway's "The Pillow Book," for example, Limosin's is not much more authentic, but it tries harder. Shot on the streets of a grungy Tokyo suburb, it is about a young drop-out videographer who decides just who should die and who should not. He zeroes in on a young girl who spots him from the police composite sketch and decides to use him to brighten up her otherwise mundane life. Much more interesting than its mundane text (Limosin originally intended to film in Europe) is the unintended subtext that a foreign sensibility cannot help but bring to an ostensibly Japanese milieu. While an American director might have played on the element noir and ended on a chase, the Frenchman finds lots of bright, dandy colors (the cameraman was Jean-Marc Fabre), many a picturesque aside (drunken salarymen in the subway), much lyricism à la Lolouch about young love on the run, and ample premonitions about the real and virtual, the raw and the cooked, the signified and signifier, etc. There is a consequent strangeness about the picture (actors and directors did not speak the same language, the young people display French mannerisms on the street), which is not unattractive and which can lead to an anthropological reflection. As a European view of Japan, however, it shows mainly Europe. (Donald Richie, IHT)

RECORDINGS

• **ROBERT WYATT**, "Rock Bottom," "Ruth Is Stranger Than Richard," "Old Rottenhat," "Nothing Can Stop Us" (Rykodisc). The drummer with Soft Machine, the first and possibly the best jazz-rock fusion band of them all, Robert Wyatt was the first to sing from behind a drum kit while playing in 11/4 time. Respected historians claim that he was also the first drummer to perform topless. Wyatt is a cult figure nonpareil. Cult heroes appeal out of all proportion to a segment of the population that is too small, smart or weird for mass marketing. But when childlike, minimal albums like this thrive year after year for as long as 25 years, and when they include other cult heroes like Brian Eno, Mike Oldfield and Fred Frith, well, then, all bets are off. Or on.

• **CHRISTIAN MCBRIDE**, "A Family Affair" (Verve). Everybody's favorite new young bearer of the rustic bass standard, McBride has raised the electric bass funk flag. Verve's more, he appears to be of the opinion that we will all salute. His committed, committed far and wide. In the post-storied '70s the electric bass was a bottom of choice. Political correctness gradually shifted until the late '80s when electric bass players went totally off the loop. Now, as circles are wot to, this circle has closed. As Jolt-Cage said, we have the Mona Lisa and the Mona Lisa with a mustache too, here are also vocals and electric keyboards and the more you hear the more you want. A milestone.

Ms. Zwerin/IHT



AIR NEW ZEALAND	Singapore to New Zealand	Round-trip economy ticket between Singapore and New Zealand (Northbound or Southbound) costs 999 Singapore dollars (\$563). Until Oct. 31.
ALITALIA	Britain to Seychelles	Round-trip fare from London Heathrow to Gatwick for £519 (\$850). Minimum stay six days/maximum stay four months. For departures between Sept. 15 and Oct. 31. Trailfinders (44-171) 938-3939.
BRITISH AIRWAYS/MALAYSIAN AIRLINES	Britain to Malaysia	Seven-night package from London Heathrow to Penang (BA to Kuala Lumpur and domestic flights to Penang on Malaysian Airlines) for £389 (\$636) per person based on twin-share includes accommodation on Ferringhi Beach. For departures until Nov. 30. Bookings must be made by Sept. 30. Trailfinders (44-171) 930-3939.
CATHAY PACIFIC	Asia-Pacific	Free stopovers in Hong Kong available. Until Sept. 15.
GULF AIR	Middle East to Europe	Falcon Club FFP members can claim a Hertz car for seven days with unlimited mileage when they buy a full-fare ticket from the Gulf to London, Paris, Frankfurt, Amsterdam or Rome.
LUFTHANSA/SHANGHAI HOTELS	Europe-Asia	Miles and More members traveling first- or business-class to any of the airline's eight Asian destinations where Shanghai-La has a hotel and qualify for "Top-up" Status Miles and for a Lufthansa Frequent Traveler Card. This provides priority wait-list status, access to airport lounges of Lufthansa and its five Star Alliance partners and priority check-in, even when you travel economy. Pay corporate or rack rate at Shanghai-La for an upgrade to the Horizon Club. Until Oct. 15.
UNITED AIRLINES	London to New York	Save 33 percent on normal first- or business-class fare from London Heathrow to JFK or Newark by making a day trip. For example: The 8:55 A.M. flight to JFK arrives 11:45 A.M. Depart JFK at either 9 P.M. or 10 P.M., arriving back in London the next morning.
PARK HYATT	Tokyo	"City Spa Vacation" rates from 26,500 yen (\$184) per night in a "deluxe" room, use of Club on the Park, and breakfast or lunch at Girandole restaurant. Until Dec. 28 (except Dec. 18 to 25).
GRAND HYATT	Berlin	Opening rates from 280 Deutsche marks (\$155) for a "deluxe" room. From Oct. 3 to Feb. 28.
THE RUBENS HOTEL	London	The Rubens, which overlooks Buckingham Palace, offers a two-night "Weekend at the Palace" package for £299 (\$490) for two people sharing a "deluxe" double room. Includes English breakfast, dinner on one evening of your choice and afternoon tea on one day; with VAT and service. Until Oct. 4. (44-171) 834-6600.
MONTAGUE/RUBENS/CHESTERFIELD HOTELS	London	"Shopping Weekend" packages for £150 (\$240) per night for two people sharing a "deluxe" double room includes welcome bottle of champagne, a map of London and traditional English afternoon tea. From Sept. 14 to Dec. 18.

Although the IHT carefully checks these offers, please be forewarned that some travel agents may be unaware of them, or unable to book them.

ARTS GUIDE

BELGIUM

ANTWERP
Hessels, tel: (3) 206-0360, closed Mondays. Continuing To Oct. 11: "L'Art Non Conformiste d'Union Soviétique, 1956-1986." After Stalin's death in 1953, non-official artists were allowed to exhibit their work: Surrealism, expressionism, photo-realism and conceptual art flourished.

BRITAIN

LONDON
National Gallery, tel: (171) 747-2885, open daily. Continuing To Oct. 11: "Venice Through Canaletto's Eyes." The splendor of Venice's festivals, regattas and other ceremonies in the paintings and drawings of the 18th-century Italian artist.
www.nationalgallery.org.uk
National Portrait Gallery, tel: (171) 308-0055, open daily. To Nov. 15: "Diana, Princess of Wales: Photographs by Terence Donovan." A display of 15 photographs by Donovan (1938-1996), 288 were taken at four official sittings between 1986 and 1990.
www.npg.org.uk

FRANCE

PARIS
Musée d'Art Moderne de la Ville de Paris, tel: 01-53-67-40-00, closed Mondays. Continuing To Oct. 19, 1998: "La Collection du Centre Georges Pompidou: Un Choix." A selection of works from the Faivaux to Dubuffet.
SAINT-PAUL-DE-VERCE
Fondation Maeght, tel: 04-93-32-81-83, open daily. Continuing To Oct. 18: "Oto Dux." A selection of paintings, drawings, sketches and engravings by the German artist (1899-1970).

GERMANY

MUNICH
Kunsttheater der Hypo-Kulturstiftung, tel: (89) 22-78-17, open daily. To Nov. 15: "Gauguin and the School of Pont-Aven." More than 100 works by the artists who gathered around Gauguin at the end of the 19th century in Brittany, France. The artists, including

Emile Bernard and Paul Sérusier, worked in watercolor and oil, explored printmaking techniques, and painted walls and furniture.

ITALY

FERRARA
Palazzo dei Diamanti, tel: (532) 20-99-88. Continuing To Aug. 30: "Thomas Gainsborough." Paintings and drawings by the 18th-century British artist.

JAPAN

TOKYO
National Museum of Modern Art, tel: (75) 781-4111, closed Mondays. To Sept. 20: "Shikanozuka Oka." A celebration of the centennial of the Japanese artist's birth, with more than 100 paintings, whose Pointillist technique, acquired during the artist's stay in France, creates a serene and dreamy atmosphere.
www.moma.jp
Orchestra Filarmonica della Scala. Under Riccardo Muti, the Orchestra performs at Suntory Hall (Sept. 2 and 3, tel: (3) 3305-1001) and Tokyo Metropolitan Art Space (Sept. 4, tel: (3) 5391-2111).

NETHERLANDS

AMSTERDAM
Rijksmuseum, tel: (20) 573-2911, open daily. To Oct. 18: "Bellange: An Unconventional Etcher." Graphic oeuvre by the artist from Assise, in France, who worked as a painter at the court of the Duke of Lorraine from 1602 to 1616.

SWITZERLAND

LAUSANNE
Fondation de l'Hermitage, tel: (21) 320-50-01, closed Mondays. Continuing To Oct. 11: "Futurisme, 1909-1914: L'Italie Face à la Modernité." Paintings, sculptures and works on paper by Italian Futurist painters Balla, Boccioni, Carrà, Russolo and Severini.

TAIWAN

TAIPEI
Taipei Fine Arts Museum, tel: (2) 2565-7555. To Sept. 6: "North Asian Biennial." A survey of the major art trends and tendencies of the

moment in Japan, South Korea, Taiwan and China. Features works and site-specific installations by Nobuyoshi Araki, Tatsuo Miyajima, Chen Zhen, Ho Chungming and Xu Ming.

UNITED STATES

NEW YORK
Museum of Modern Art, tel: (212) 708-9400, closed Wednesdays. Continuing To Oct. 13: "Bonnard." Nearly 100 landscapes, still lifes, interiors and the celebrated bath paintings, by the French painter (1867-1947).
www.moma.org

WASHINGTON
National Gallery of Art, tel: (202) 737-4215, open daily. Continuing To Sept. 20: "Manet, Monet and the Gare Saint-Lazare." The works, by Camille Pissarro, Manet and Monet, were painted during the late 19th century, at the time when the Saint-Lazare train station symbolized a new modern energy.
www.nga.gov

CLOSING SOON

AMERICAS
Aug. 30: "Songs on Stone: James McNeill Whistler and the Art of Lithography." Art Institute of Chicago.
Aug. 30: "From Object to Icon: The Art of Assemblage." Museum of Fine Arts, Houston.
Aug. 30: "Unknown Terrain: The Landscapes of Andrew Wyeth." Whitney Museum of American Art, New York.
Sept. 2: "Peggy Guggenheim: A Centennial Celebration." Solomon R. Guggenheim Museum, New York.

ASIA
Aug. 30: "The Spread of Buddhist Art in Asia." Nara National Museum, Nara, Japan.
Aug. 30: "Art of Amibabe's Pure Land." Ho-Am Art Museum, Yongin, South Korea.
Aug. 31: "Bollmans van Beuningen Museum: Art of the 20th Century." Isean Museum, Tokyo.

EUROPE
Aug. 30: "Arte Povera from the Goetz Collection." 20er Haus, Vienna.
Aug. 30: "Scrota from the Deed

Sea." Art Gallery and Museum, Kewington, Glasgow.
Aug. 30: "Pissarro: Die Gehelme Sammlung." Kunsthaus Wien, Vienna.
Aug. 30: "The World as a Great Symphony: Mikalojus Konstantinas Ciurlionis, 1875-1911." Wallraf-Richartz-Museum, Cologne.
Aug. 30: "From Tempera to Oil Painting: Changes in Venetian Painting." Rijksmuseum, Amsterdam.
Aug. 30: "Paul Delvaux." Fundació Caixa de Catalunya, Barcelona.
Aug. 31: "Diseno Industrial en Espana: Un Siglo de Creacion e Innovacion." Museo Nacional de Arte Reina Sofia, Madrid.
Aug. 31: "Jacques-Lipchitz." Jardins du Palais-Royal, Paris.

MIDDLE EAST
Sept. 1: "In the Light of the Menorah." Israel Museum, Jerusalem.

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02-22-031	02-22-032	02-22-033	02-22-034
02-22-035	02-22-036	02-22-037	02-22-038
02-22-039	02-22-040	02-22-041	02-22-042
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02-22-047	02-22-048	02-22-049	02-22-050

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Emerging Markets / The Challenge to Investors

On Exchanges Around the World, Declines Show No Sign of Bottom

By Jonathan Fuerbringer
New York Times Service

NEW YORK — The collapse in the world's emerging stock markets — the Thai, Poland and Russia — has been breathtaking. Not since these markets began to attract strong investor interest at the end of the 1980s have they had such a sharp decline, one that wiped out so many years of gains.

Their plunge over the last year, worldwide, now outranks that during the Mexican peso crisis of 1994-95 and that during the Gulf War of 1990-91. Without a quick rally, August will be the worst month for stock markets in developing economies since 1988, when their performance began to be tracked in index form. So far this month, these markets have lost 20 percent of their value. Since the Asian financial crisis began in July 1997, they have erased all their gains back to December 1991, according to the Morgan Stanley Capital International emerging markets index.

A second index, that of International Finance Corp., a member of the World Bank Group, has the markets declining to where they were in February 1992.

"Anyone who has tried to pick the bottom has been destroyed," said Ron Chapman, head of international equities at Dreyfus Corp., who has had his own fingers burned.

Near-panic selling in disregard of a country's economic fundamentals is causing many investors and stock analysts to reconsider whether these markets are sensible for even the hardy long-term investor, the kind who has accepted volatility in exchange for large potential gains.

And the risks seem to be growing. With Russia's deepening economic crisis pulling the far healthier Latin American stock markets down with it.

The latest phase of the Russian crisis is also exposing another, possibly more damaging, fault line: a collapse in the prices of emerging-market

bonds. It is in the global capital markets that emerging-market countries in Eastern Europe, Asia and Latin America borrow to meet government financial needs.

If that borrowing becomes very expensive, investors will worry about the ability of Latin American countries to pay off their debts and to cover their trade deficits, which are already at worrisome levels. That, in turn, will put more pressure on the currencies, forcing countries to raise their interest rates to defend their exchange value. Such developments could rapidly undermine a country's otherwise stable economic fundamentals.

Emerging nations are already paying a lot to get investors to buy their securities. The difference, or spread, between the yield on emerging-market debt and U.S. Treasury securities has jumped by nearly 6 percentage points, to 13 percentage points, according to the J.P. Morgan emerging-market bond index.

Only after the Mexican peso crisis erupted in December 1994 has the spread widened so fast. At the peak of that crisis in 1995, emerging markets were paying on average 19 percentage points more than the United States did on its Treasury securities.

Mexico, of course, did not default on its debt, with considerable aid from the United States and other industrial nations.

But the refusal of the International Monetary Fund, the United States and its economic partners to rescue Russia before it essentially defaulted on the ruble two weeks ago and defaulted on some debt has caused a serious reassessment of the risks in all emerging markets.

"Does the system now have a lender of last resort?" asked Desmond Lachman, head of emerging-markets research at Salomon Smith Barney and a former official of the International Monetary Fund. "Bulgaria didn't fail. Thailand didn't fail. Indonesia didn't fail. But now Russia fails."

For troubled economies, he said, "the IMF and the Group of Seven are no longer then as a backdrop."

As this view takes hold, emerging-market bonds may come under even more intense pressure.

For now, investors still interested in these markets must wait until the frantic selling ceases. And this will not happen until hedge funds and other money managers who have big losses in places like Russia stop selling to raise cash.

Having borrowed to make many of their bets even bigger, they need cash to pay off their loans. In some cases, that means selling stocks in Latin America, where markets have more liquidity, as well as in other regions.

The disclosure on Wednesday that George Soros, the legendary hedge-fund operator, lost \$2 billion in Russia in the past year shows how great the damage may be.

"Emerging markets have become more a game for speculators and traders — and a nightmare for dedicated long-term investors," said Robert Pelosky Jr., global emerging-markets strategist at Morgan Stanley Dean Witter. "In the short run, fundamentals don't seem to matter."

But even after the dust clears, many investors are likely to balk at plunging back into emerging markets despite analysts' estimates of great opportunities at such prices.

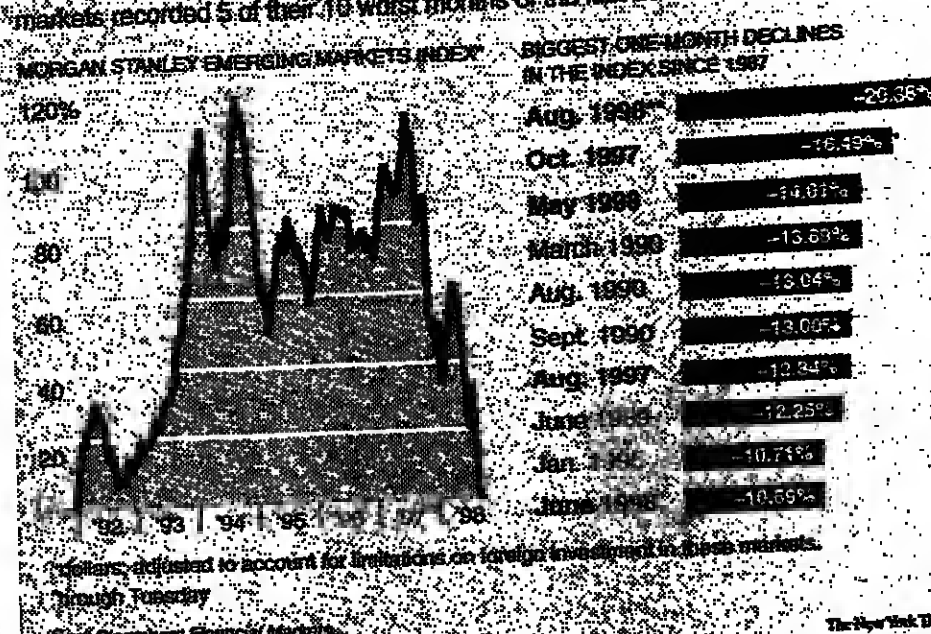
"There has to be some new management system for these crises," said Gary Kleiman, senior partner at Kleiman International Consultants, a research and advisory firm in Washington. Without a new international system for containing currency crises and the fallout that often follows, Mr. Kleiman said, it will be hard to persuade his institutional clients to bet on emerging markets.

"There is little upside and too much downside risk for those who can't afford to leave their money there for five years to 10 years," he said. "It is probably better just to leave."

Mr. Pelosky of Morgan Stanley said he thought that emerging-market investors would

Back to Square One

The steep fall in emerging stock markets has wiped out all their gains since December 1991. Most of the decline has been in the last 13 months, as emerging markets recorded 5 of their 10 worst months of the last decade.



shift in selecting specific countries to picking specific companies. "The game is going to be very different," he continued, "in the next two to three years."

In the past, investors have jumped in on economic potential — betting, for example, that the rapid growth and low inflation in Asia in the early '90s would guarantee great returns.

But in the future, he said, investing would be based more on "what this company does and how does it compare to its competition." This gritty approach fits with the long-term hope for emerging markets: that economic fundamentals will again determine the winners and losers.

Latin American Markets Hurt by Russia and Asia

Distant Disasters Undo Benefits of Reforms

By Sam Dillon
New York Times Service

MEXICO CITY — Russia's devaluation of the ruble last week has sent panic throughout the world's emerging markets, with the Latin American economies likely to be among those that suffer the most.

The events have pummeled the region's markets, caused currencies throughout the region to drop and forced interest rates so high that some bankers are urging customers not to borrow. Analysts are lowering what had been healthy growth estimates for Latin America for next year and perhaps beyond.

The market turmoil is being compared to the most painful financial disasters in memory, including the regional debt crisis that plunged dozens of Latin countries into recession in 1981 and took more than a decade to untangle.

On the plus side, one is yet predicting long-term economic disaster on that scale.

In many Latin countries, reforms such as the privatization of state-owned enterprises, the overhaul of banking systems and the establishment of private pension systems have strengthened local economic resilience. Barring further unforeseen disasters, analysts still expect the region to grow this year. Warburg Dillon Read is predicting regional growth of 2.8 percent in 1998, down from 5.2 percent last year.

But what may be most frustrating in Latin financial capitals is that, today, far-off contingencies — like whether China devalues the yuan or Japan reforms its economy — seem likely to have as much influence on market stability as the actions of Latin America's own beleaguered policy-makers. Indeed, this year's Latin malaise has come largely from Asia.

After Mexico's devaluation in 1994, people feared the crisis would spread to other regions, but it didn't.

said Gray Newman, the senior Latin American economist at Merrill Lynch & Co. "Things calmed down. The difference between then and now is that today contagion is alive and with us. The difficulties in Japan and Russia are moving to Venezuela and Mexico."

Investors have been fleeing Latin markets for months. The Venezuelan stock market has plunged by 65.69 percent for the year, to a 29-month low. The Mexican bolsa is down by 41.38 percent; if losses from the declining peso are taken into account, it is down by 52.48 percent for the year. Shares have dropped by 41.45 percent in Brazil this year, by 45.75 percent in Argentina and by 34.08 percent in Chile.

Almost all the indices in the region fell on Thursday.

Latin America's Brady bonds also have lost ground because traders, disappointed by the terms of Russia's local debt restructuring, have unloaded Latin holdings.

David Malpass, the chief international economist at Bear Stearns & Co., pointed to similarities between the current panic across Latin America and the situation in 1981, when high real interest rates in the United States and plunging worldwide commodity prices sent the region into a tailspin.

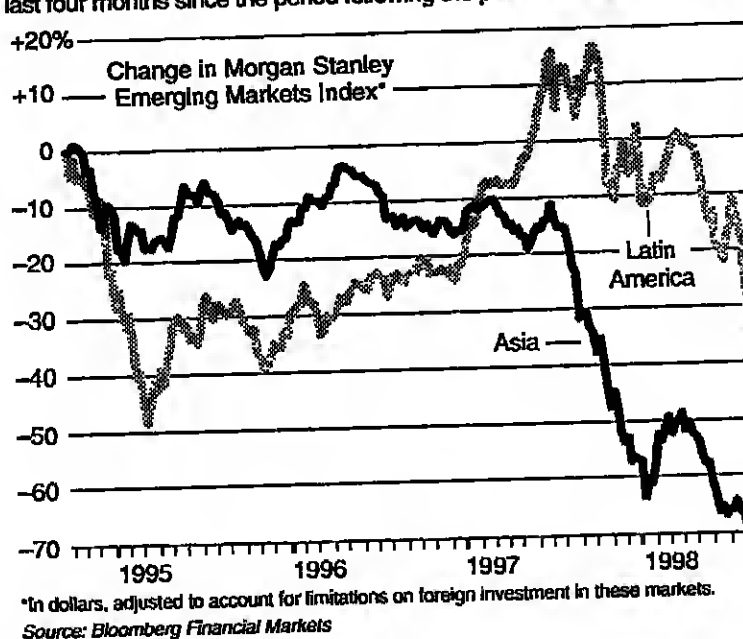
"Some aspects of the current situation resemble the 1981 crisis, which was a time of impending doom for Latin America," Mr. Malpass said.

"But there are reasons to be less pessimistic about the current environment. The U.S. economy is growing today, whereas in the early 1980s we were in deep recession. And economic policies in most Latin countries are much better today than they were in 1981."

The financial turmoil has been greatest in Venezuela, where plunging oil prices have worsened a chronic budget deficit and raised fears of a currency devaluation. On Friday, as thousands of Venezuelans sought to ex-

Emerging Markets Plunge

The crisis in Asia over the past year has had repercussions in Latin America, where markets have sustained the sharpest decline over the last four months since the period following the peso devaluation in 1994.



*In dollars, adjusted to account for limitations on foreign investment in these markets. Source: Bloomberg Financial Markets

change bolivars for dollars, the government said the bolivar would be allowed to trade toward the bottom of the band set by the central bank to regulate exchange rates.

Faced with a potential assault on its currency, the Venezuelan government needs to husband its \$14 billion in foreign reserves. As it tries to raise cash to finance its deficit, interest rates have shot up to by more than 60 percent.

A volatile Venezuelan presidential campaign, in which one leading candidate has suggested that the country ought to stop making payments on its foreign debt, has also alarmed investors.

In Brazil, speculators have begun a new assault on the real. The government fended off a similar attack last year. Brazil has amassed \$70 billion in foreign currency reserves.

But the Brazilian picture, too, is roiled by the uncertainty of a presidential campaign. Polls suggest that President Fernando Henrique Cardoso

will be re-elected on Oct. 4. That is what investors hope.

So far, the biggest casualty among currencies has been the Mexican peso, which has fallen by 21.7 percent this year, to 10.19 American cents.

The fall in the peso has been accompanied by a surge in interest rates. On Tuesday, the yield on Mexico's benchmark 28-day treasury bill surged by 516 basis points, to 27.16 percent, its highest level in 20 months.

In reaction, the head of the Mexican Banking Association urged potential borrowers to avoid taking out loans. "Rates are too high, so I've told bank customers to wait a few weeks until this market overreaction dies down," said Carlos Gomez y Gomez.

The trouble in Mexico is being fed by the plunge in oil prices and by continued haggling between political parties over accusations of corruption in a banking scandal. But until last week, some analysts were still predicting growth by more than 4 percent next year.

As Stock Markets Gyrate, A Rush to Buy Treasuries

Investors Scoop Up Bonds in Flight to Quality

By Albert B. Crenshaw
Washington Post Service

WASHINGTON — Investors seeking refuge from the gyrations of the stock market are turning in droves to bonds — but not just any bonds. Here and abroad, investors are signaling that only the safest will do, and that means U.S. Treasury securities.

Late last week, spooked investors flocked to Treasury paper so eagerly it yields, which move in the opposite direction of bond prices, fell to their lowest levels in almost 30 years. Yields on the interest bonds pay by their maturity dates.

Easy debt is paying around 5 percent (except from state and local taxes), which is about what U.S. bank certificates of deposit are paying — and which may seem anemic compared with recent stock market returns or even interest rates of just a few years ago. But that's the trade-off for perhaps the most reliable security in the world today.

The flight to quality has punished holders of almost all other types of bonds, investors in bond mutual funds, other than those holding primarily Treasury paper, have seen their shares sink in recent days, reflecting the declining value of the securities in their fund portfolios.

The economic turmoil in Russia and Asia has rattled bonds from these and other emerging markets. But low-rated U.S. corporate "junk bonds" and, to a lesser extent, high-grade corporates have also plummeted as investors evidently fear the woes from abroad will spill over to U.S. markets.

"Some of the things that are concerning the stock market are concerning corporate," said William Hornbarger, a debt strategist with A.G. Edwards Inc. "In the market it has been the case that you are: to own quality, particularly in recent weeks," Mr. Hornbarger said. The risk premium — the difference between corporate and Treasury — has widened dramatically.

Traditionally, it has been interest rates that are the major mover of bond prices. When interest rates decline, bond prices rise; when rates rise, prices fall. For much of this year, interest rates have been rising lower on a favorable inflation outlook, and bondholders have seen the value of their holdings rise.

Mr. Hornbarger and some other analysts said they believed bonds, both corporate and Treasury, could be an attractive play after the year, for several reasons.

First, there's growing pressure on the Federal Reserve Board to lower interest rates. Though the Fed chairman, Alan Greenspan, continues to voice inflation worries — which would argue for higher rates — there's little sign of rising inflation and no real interest rates — interest rate after subtracting inflation — remains high. The question then is whether the economy is more in need of restraint stimulus, and several experts said the odds begin to tilt in favor of stimulus, though not immediately.

"The Fed should ease sooner rather than later, but likely will ease later rather than sooner," said Edward Yardeni, chief economist at Deutsche Bank Securities Inc.

Second, the U.S. economy seems fundamentally sounder than many of the country's large corporate bond issuers. If their debt securities turn out to be artificially depressed, they should pay an artificially high interest to holders who buy them at low prices, and the prices themselves should bounce back when the dust settles.

Third, some analysts think the country is entering a deflationary period, in which prices for many goods will steadily decline. While the overall economy continues to show little-to-rising

prices, commodity prices have been declining sharply in recent weeks.

Deflation might hurt many stocks by restricting companies' ability to raise prices and thus profits, making bonds more appealing. And just as inflation tends to favor debtors, by allowing them to repay loans with ever cheaper dollars, deflation favors creditors such as bondholders, who get back dollars that are more valuable than those they lent out.

There's another reason for some individual investors to look at bonds, experts say. The run-up in stock prices last year and this year has thrown some people's asset allocations off. The rise in equity values has made stocks a larger-than-intended portion of the portfolio, possibly introducing more volatility into it than the investor is comfortable with.

Stocks historically have provided greater returns than bonds, but they are more subject to short-term ups and

downs. Hence, bonds traditionally have served as a refuge for investors seeking to escape the stock market's volatility, but recently bonds other than Treasuries have also been buffeted by world events.

Potential bond investors have several choices in how to go about it. Bond mutual funds offer ease of purchase, a modest minimum investment, low fees (in some cases) and instant diversification, because mutual fund portfolios hold a large number of different issues.

But their shares are constantly re-priced to reflect the value of the securities in the portfolio, so that investors ride up and down with the bond market.

Investors can also buy whole bonds. While these securities' prices also rise and fall with the market, an investor who intends to hold them to maturity can ignore that. Whole bonds are riskier because they are less diversified, and they are more cumbersome to buy and sell.

For the investor seeking stability, several experts said, a package of short- to medium-term Treasuries is attractive, especially because the Treasury lowered the minimum purchase to \$1,000 on all its marketable debt. The yield curve now is unusually flat, meaning that the interest rates of longer-term securities are only slightly higher than those of shorter maturity.

The Treasuries can be liquidated at maturity if the investor finds something better to do with the money, or simply rolled over if the outlook remains uncertain.

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Chancellor Deal to Form U.S. Radio Giant

The CBS radio group, which tributes shows of stars such as Howard Stern and Don Imus, has 155 stations.

Portland, Oregon. "If the trade
quiets down overseas, then we
yields rise."

the dollar slipped to 6.0250 francs from 6.0550 francs. It fell to 1.4820 Swiss francs from 1.4920 francs. The pound rose to \$1.637 from \$1.637.

Index	Change	Optical	High	Low	Low
10-YEAR FRENCH GOV. FF500,000 - pts of 100 pcd					
1.20	+0.55	8.907	500.98	108.47	108.00

company sells does not reflect on creditworthiness, it is not violating the Fair Credit Reporting Act.

7.15	+0.60	11.26	Dec 98	108.19	107.60	10
0.00	+0.60	4.778	Est. sales:	715,252		
3.99	+0.60	2,390	Open bid:	140,697	off 8,324	
5.118						
4						
3						
0.00						
5.70	-5.30	40	ITALIAN GOVERNMENT			
1.70	-5.60	1	ITL 200 million - pts of 100			
5.00	-5.30	12,838	Sep 98	N.A.	N.A.	12
10.10	-5.00	107,202	Dec 98	N.A.	N.A.	10
			Est. sales: n.s. Prev. sales:			
			P/bv. open bid: 170,135 up			
			LIBOR 1-MONTH (CERN)			
			\$3 million-pts. of 100 pct.			

Sources: *Mobil Associated Press, London*
Int'l Financial Futures Exchange, Int'l
Petroleum Exchange.

EUROPE

SAP Shares Hit by Suit Over Failed Texas Firm

Compiled by Our Staff From Dispatches

FRANKFURT — Shares in SAPAG tumbled Thursday after the world's largest maker of business-management software was sued by the bankruptcy trustee of FoxMeyer Corp., a Texas-based drug wholesaler.

The shares fell 5 percent, to 965 DM (\$536), after the trustee filed a suit seeking \$500 million in damages and unspecified punitive damages related to an inventory system provided by SAP America Inc. SAP vowed to fight the suit.

"We believe there is no factual or legal basis for this suit," Michael Jung, head of SAP's legal department, said.

"SAP America Inc. and SAP will defend themselves against these charges," he said.

The suit, filed Monday, alleges "gross negligence" by SAP America. Specifically, it alleges that SAP's R/3 software was unable to handle FoxMeyer's daily invoice volume and that the failure of the system to operate as promised was a "significant factor" in the company's bankruptcy.

The trustee, Bart Brown, also filed a suit Wednesday against Deloitte & Touche LLP, FoxMeyer's former accounting firm, charging it with agreeing to a damaging refinancing plan. In another \$500 million suit, filed in July, the trustee sued Andersen Consulting, which installed the SAP software.

Klaus Reppes, an analyst at HSBC Trinkaus und Dusseldorf, said SAP probably faced little threat from the suit because most German companies active in the United States are insured against product liability.

"No great damages for SAP are likely to arise even in a decision against the company," he said.

(Bloomberg, AFP, Reuters)

New NATO Members Disappoint Jetmakers

Expected Sales Bonanza to Cash-Strapped Countries Has Not Materialized

Bloomberg News

BUDAPEST — When Hungary, Poland and the Czech Republic were invited to join NATO a year ago, Boeing Co., Lockheed Martin Corp. and other Western defense contractors expected at least \$10 billion in fighter jet orders alone.

What they have gotten, after investing in local offices and lavish receptions, are sales in the millions — and few of them. Cash-strapped governments, facing no military threat, are buying telephones and radars rather than fleets of fighter planes.

"Much of the expectation was ill-founded," said Paul Beaver, an analyst with Jane's Information Group in London. If \$10 billion is spent, it will be spent over 15 years, for radios and other basic gear that will help former enemies communicate in the field. "Priorities have changed," Mr. Beaver said.

So have dreams of a contracts bon-

anza. Together, Hungary, Poland and the Czech Republic have about as many people as Britain, but their combined defense budget is about \$4.5 billion a year, one-seventh of Britain's defense budget — and equal to one month's sales for Boeing.

So far, winners of the North Atlantic Treaty Organization's planned expansion east include Matra BAe Dynamics, a joint venture of Matra-Hachette SA of France and British Aerospace PLC that sold \$100 million worth of missiles to Hungary and Lockheed, which sold five radar systems to Romania for \$82 million.

The main hindrance to upgrading Eastern Europe's military to prepare for membership in NATO is simply a shortage of cash.

With Poland, Hungary and the Czech Republic also heading toward joining the European Union, overhauling social security systems is a higher priority than buying new

fighter jets. Prime Minister Viktor Orban of Hungary said last weekend's "NATO Express" air show that buying new military aircraft was beyond Hungary's means, and the government, which took office in early July, will not invite bids during its four-year term, Hungary's MTI news agency reported.

Jetmakers say they will keep trying to sell their planes in the region. "We'll stay interested," said Bob Clifford, Lockheed's top executive in Eastern Europe. "We don't want to become labeled as pushing for busting the budget, but it's a competitive world."

Western defense companies started stalling Eastern European markets in earnest two years ago, anticipating NATO's decision last summer to expand the alliance into the former Soviet bloc.

Companies were hosts at posh dinners and took officials for rides in

supersonic jets. They set up offices from Budapest to Warsaw and hired lobbying firms to persuade governments to buy. At the same time, political leaders from NATO member states visited the region to show their support for expansion, and the politicians' visits sometimes overlapped with those of weapons sellers.

For Eastern Europeans, it was a familiar experience. Before the former Soviet Union broke up in 1990, Poland, Hungary and Czechoslovakia were members of the Warsaw Pact, and the Soviet-led military alliance, and were pressured to buy jets, tanks and other weapons from the Soviet Union.

Some analysts, like Mr. Beaver, say U.S. companies likely will benefit in coming years because they went beyond lobbying to buy stakes in local companies, which has helped ingratiate them with government officials eager to keep their industrial bases intact.

French Police Not Hip to Hemp At Body Shop

Reuters

LONDON — Body Shop International PLC said Thursday that police had seized products in its new hemp line at one of its stores in Aix-en-Provence, France.

The company said that the police seemed to be concerned that cosmetics containing hemp would encourage the use of drugs.

Hemp is a plant of the mulberry family. The psychoactive agent THC (tetrahydrocannabinol), present in marijuana and hashish, is derived from hemp.

Body Shop denied that the it was encouraging the use of drugs.

"You'd have to smoke a hemp joint the size of a telephone pole to get the least buzz," said Anita Roddick, founder of the company, "and you'd die from carbon monoxide first."

Telekom Weathers Asian Crisis

Former Monopoly Posts 18% Rise in First-Half Amid Competition

Compiled by Our Staff From Dispatches

BONN — Deutsche Telekom AG, one of Europe's biggest phone companies, said Thursday it expected to take no further charges related to the Asian financial crisis.

Company executives presented details of earnings in the first half of 1998 that showed clear growth despite an assault on its home market from dozens of new phone companies and continued losses from its foreign business.

The company said it would pay a 1.20 Deutsche mark (66 cents) dividend this year, up from last year.

"Despite increased competition on the German market, and a reduction of calling charges on March 1, we were able to remain on the growth track," the chief executive, Ron Sommer, said.

Deutsche Telekom, which has 46 million phone lines, nearly 5 million mobile-phone subscribers and more than 2 million subscribers to its Internet service, reported that net profit rose 18 percent in the first

half of 1998 to 1.9 billion DM, as sales rose 4.5 percent, to 34.4 billion DM.

The company also said it was unlikely to take previously announced charges of as much as 4.5 billion DM for its troubled cable TV business.

Deutsche Telekom's cable activities posted losses of 1.3 billion DM in 1997, and the company said in May that it would take the huge write-down to cover costs after regulators rejected its attempt to raise cable fees.

Deutsche Telekom shares fell 3.5 percent, to 47.6 DM, on concern that the former German monopoly faces its first year of full competition from as many as 50 others.

Deutsche Telekom said sales from its fixed-line business grew only 1.8 percent in the first half, to 24.3 billion DM, while mobile phone sales rose 17 percent, to 2.8 billion DM. Given increased competition, sales in the second half could be below these levels, an analyst at Credit Lyonnais said.

The number of mobile-phone service customers rose 21 percent in the first half to 4.6 million customers, while the number of subscribers to its T-Online service rose to 2.3 million.

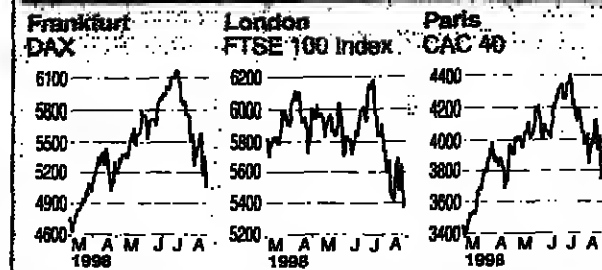
The company's chief financial officer, Joachim Kroschke, said he expected cost reductions and improvements in its foreign business to lift profit next year.

But Mr. Kroschke said labor costs were "not in line with our expectations."

Mr. Sommer predicted that an international joint venture, called Global One, with the Sprint Corp. of the United States and France Telecom SA, would lose money in 1999.

Telekom posted losses of 250 million DM during the first half of the year from its stake in Global One, and it expects to take a similar loss in the second half of the year, he said. Mr. Sommer remained optimistic about the venture, saying, "It is a business that everyone wants to get into, but only Global One can do." (AFP, Reuters, Bloomberg)

Investor's Europe



Exchange	Index	Thursday Close	Prev. Close	% Change
Amsterdam	AEX	1,106.82	1,133.66	-2.18
Brussels	SEL-30	3,280.54	3,260.83	-1.80
Frankfurt	DAX	5,680.84	5,231.61	-3.26
Copenhagen	Stock Market	666.93	674.19	-1.08
Helsinki	HEX General	4,535.24	4,707.87	-3.66
Oslo	OSEX	583.06	558.25	-4.17
London	FTSE 100	5,368.50	5,546.40	-3.19
Madrid	Stock Exchange	762.19	809.22	-5.82
Milan	MIBTEL	21,998	23,012	-4.40
Paris	CAC 40	3,745.84	3,913.17	-4.28
Stockholm	SX 16	3,795.41	3,891.43	-4.01
Vienna	ATX	1,491.99	1,254.65	-4.99
Zurich	SP1	4,311.25	4,531.86	-4.87

Source: Telekurs International Herald Tribune

Very briefly:

- ING Groep NV, the Dutch banking and financial services group, reported a 74 percent increase in first-half profit, to 3.84 billion guilders (\$1.88 billion) from a year earlier, fueled by a series of acquisitions.
- Skanska AB, a Swedish construction giant, said net income in the first half fell to 1.86 billion kronor (\$225 million) from 7.29 billion kronor a year earlier, but operating profit tripled. The year-earlier results included a gain from the sale of most of Skanska's holding in the steel company Sandvik AB.
- France's economy will expand this year by 3 percent, "if not more," but next year it may grow by less than the 2.8 percent initially estimated, because of economic crises in Asia and Russia, Finance Minister Dominique Strauss-Kahn said.
- Novartis AG, a Swiss pharmaceutical giant, said first-half net income rose 14 percent, to 3.5 billion francs (\$2.33 billion), helped by cost savings from the merger of Ciba-Geigy AG and Sandoz AG, which formed Novartis.
- Rolls-Royce PLC, the British aerospace and engineering company, said first-half pretax profit rose 16 percent from a year earlier, to £135 million (\$211 million), as orders stood at record levels. The company is separate from Rolls-Royce Motor Cars Ltd., the maker of luxury cars.
- Independent Newspapers PLC, the biggest newspaper publisher in Ireland, said first-half net income rose 15.6 percent from a year earlier, to 21.8 million pounds (\$30.5 million), as advertising was lifted by the strong Irish economy and its other businesses around the world made gains.
- Denmark's jobless rate fell to 6.5 percent in July from a revised 6.6 percent in the previous month.
- The Netherlands' economy grew 0.7 percent in the second quarter from the first, and 3.4 percent from a year earlier, driven by rising household spending. (AFP, Bloomberg, Reuters)

WORLD STOCK MARKETS

Thursday, Aug. 27

Daily prices in local currencies.

Telekurs

High Low Close Prev.

Amsterdam AEX Index: 1106.82

Amst. 100 100 100 100

Amst. 200 200 200 200

Amst. 300 300 300 300

Amst. 400 400 400 400

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Jakarta

Composite Index: 264.95

Jakarta 100 100 100 100

Jakarta 200 200 200 200

Jakarta 300 300 300 300

Jakarta 400 400 400 400

Jakarta 500 500 500 500

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Johannesburg

All Share Index: 5218.42

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NYSE

The 2,600 most traded stocks of the day.
 Nationwide prices not reflecting late trades elsewhere.
 The Associated Press.

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Continued on Page 19

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ASIA/PACIFIC

Economic Woes Hit Indonesia Bank Profits

Bloomberg News
JAKARTA — Most major Indonesian banks posted significant declines in first-half profit Thursday as income was strangled by increased deposit rates and a surge in provisions for bad loans.

Profit for some of the largest lenders — such as PT Bank Internasional Indonesia and Bank Bira — plunged more than 90 percent from a year ago after the collapse of the currency, the rupiah, triggered a surge in interest rates.

As Indonesia has slid into its first recession in three decades, lending has slowed and many companies have been unable to keep up with debt repayments.

The grim earnings reports come after the country shuttered three banks and seized ownership of four others Friday in its most comprehensive move yet to shore up its devastated financial system.

"Indonesia's banks have been

expanding like crazy over the past few years by completely ignoring the central bank's limits," said Sam Chin, a banking analyst at ratings company Fitch IBCA. Now they are paying the price, he said.

The government has pumped 135 trillion rupiah (\$11.37 billion) into banks in the past 12 months to help keep them afloat. Last week, it shut the Nursalam family's PT Bank Dagang Nasional Indonesia, one of the country's five largest. It seized the ownership of the Sahin family's PT Bank Central Asia and the Adnan-Jaya family's PT Bank Danamon — two more of the country's top five banks. It also seized two others and closed two.

For now, "people expect to see more restructuring," said Surtiyo Tansil, head of research at DBS Securities in Jakarta, adding that it may take at least a year — even at the best banks — to get balance sheets back into working order.

Bank Bira said Thursday that profit slumped to 2.5 billion rupiah in the first half, compared with 40.8 billion rupiah for the same period last year.

Bira's interest cost on rupiah accounts surged to 877.4 billion rupiah from 102.3 billion rupiah a year ago, while interest income on rupiah accounts amounted to only 358.2 billion rupiah.

Other banks present a similar picture.

Bank Universal's first-half profit dropped 81 percent, to 3.9 billion, while at Bank Niaga, profit dropped to 32.2 billion rupiah from 63.5 billion rupiah.

Interest rates have risen to record highs in the last year, with one-month government bills carrying interest rates of more than 70 percent. That has forced banks to raise their deposit rates or risk losing customers.

Even Bank Bali, considered one

of Indonesia's most prudent lenders, saw first-half profit slide nearly 13 percent, to 67.9 billion rupiah, it reported for the period last year.

The bank's interest income rose 40 percent to 256.75 billion rupiah from 183.87 billion rupiah, while a jump in provisions for bad loans to 408.1 billion from 8.7 billion a year ago weighed on the bank's bottom line.

Provisions for losses stemming from the plunge in the rupiah also surged, reflecting the likelihood of a surge in defaults among corporate clients amid the economic downturn.

Bank Bira set aside 380.6 billion rupiah to provide for bad loans in the first half, compared with 7.7 billion a year ago. Bank Universal's provisions quadrupled to 39.2 billion from 10.3, while Bank Niaga's provisions for bad loans rocketed to 730.1 billion from 28.6 billion.

Audit Delays Sumitomo's LTCB Deal

Compiled by Our Staff From Dispatches
TOKYO — Sumitomo Trust & Banking Co. said Thursday it had delayed by one month a decision on whether to buy Long-Term Credit Bank of Japan Ltd.

The delay is the result of a longer-than-expected audit of LTCB by the Financial Supervisory Agency, said Hiroshi Nakatani, a Sumitomo Trust executive.

The government audit started in mid-July and may not be complete until early September, according to government officials.

"We cannot launch our own inspection until the agency's inspection is finished," Mr. Nakatani said.

Sumitomo had been expected to decide on the purchase by September.

"As a result" of the delay, Mr. Nakatani said, "we think our inspection will not be completed until the end of October."

If the purchase goes through, Sumitomo will absorb LTCB's good loans and spit out most of the rest. LTCB's shares have collapsed because of the bad loans. LTCB would not exist as a separate entity after the merger.

After the government completes its audit of LTCB, Sumitomo Trust's own audit is expected to take a month to complete, Mr. Nakatani said. That audit is to be conducted by Arthur Andersen LLC, he said.

Despite the delay, Sumitomo Trust's basic stance toward the merger remains unchanged, he said.

Sumitomo Trust, the second-largest of seven Japanese lenders that specialize in the custody and management of assets, said in late June it would consider merging with LTCB if the bank purged its books.

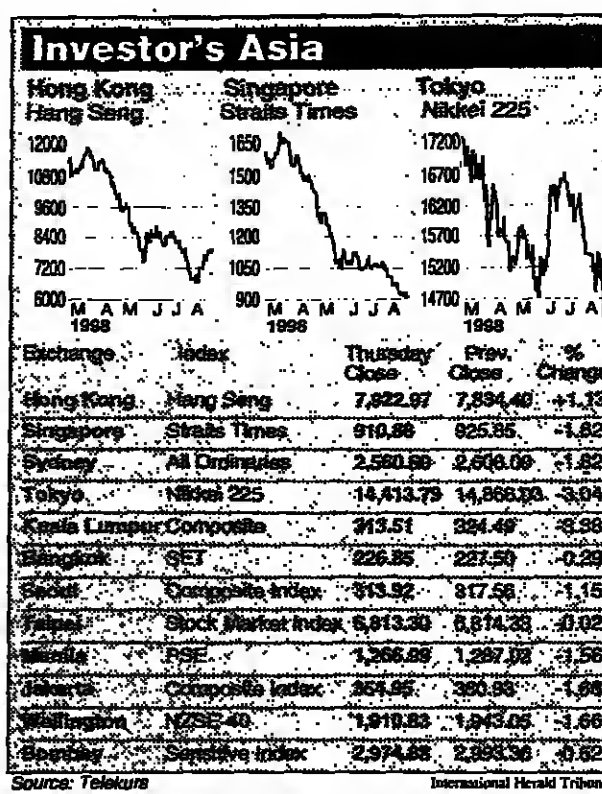
LTCB last week announced a plan to dispose of about 750 billion yen (\$5.19 billion) in bad and risky debt. On Tuesday, LTCB said that it estimated its risky loans at 2.824 trillion yen.

LTCB also said that it would apply for an infusion of public money as capital.

Prime Minister Keizo Obuchi and other officials have promised that the government will give its "utmost support" to the bank.

But politicians of other parties oppose injecting public money into banks that are still solvent.

LTCB's stock fell 1 yen, to 51 yen. Sumitomo Trust shares fell 13 yen, to 351 yen. (AFP, Bloomberg)



China to Cut Futures Marts From 14 to 3

Compiled by Our Staff From Dispatches
SHENZHEN, China — China will merge its 14 commodities futures exchanges into three markets in Shanghai, Zhengzhou and Dalian, informed sources said Thursday.

The China Securities Regulatory Commission, the market watchdog, met Thursday to discuss details of the merger, including the timetable, the sources said.

After the merger, the number of contracts traded will be reduced to 12 from 35, according to the sources, whose information was based on a State Council document.

They said that the contracts would be copper, aluminum, steel, plywood, rubber, wheat, barley, long grain rice, green beans, red beans, peanuts and soybeans.

A shake-up in the futures brokerage industry was expected by the sources after the adoption of the measures.

An official at the futures department of the regulatory commission said only: "After the meeting, the majority of the exchanges will be closed down."

At the height of the industry, there were more than 50 commodities exchanges, but the number has been pared since China began a crackdown in 1994 to control rampant speculation.

(Reuters, AFP)

Jakarta's Pawnshops Run Out of Cash

Agence France-Press
JAKARTA — Indonesia's economic crisis has trickled down to the corner pawnshop, a traditional source of loans for small-business owners and low-income families.

The state-run Pegadaian pawnshop has faced a cash-flow problem since mid-August. It is now unable to give out large loans, company executives said Thursday.

In a pinch, small loans — up to 5 million rupiah (\$450) — are still available.

"It is not just this branch of Pegadaian that cannot give out large loans, but all of them," said

Swarno, head of a Pegadaian branch in central Jakarta.

He offered an understatement as explanation: "There is not any more money from headquarters."

Sardi, an official at the pawnshop chain, said a recent increase in interest rates for loans from the state Bank Rakyat Indonesia, one of the company's two main sources of funds, has slowed the cash flow.

"It does not make sense to borrow money with a high interest rate and then be unable to loan it out to the people," he pointed out.

The pawnshop chain is still awaiting word on a loan request

submitted to its other source of funds, Central Bank Indonesia. The response so far has been notable for its silence.

The banking bust in Indonesia is directly related to the worst economic crisis in Indonesian history, which was in turn touched off when the rupiah slipped against the dollar in July 1997.

In search of funds to run households and businesses, the residents of Jakarta find themselves turning to usurers, the Indonesian Observer has reported.

Interest rates at these establishments? As high as 120 percent per year, the daily noted.

Hino Motors Now Expects Loss for Year

Bloomberg News
TOKYO — Hino Motors Ltd. on Thursday nearly quadrupled its net loss forecast for the half-year through the end of September and reversed its full-year outlook to a net loss from a net profit, as sales declined in Japan and abroad.

"It will be very difficult to reverse our outlook in any significant way," the Hino Motors president, Hiroshi Yuasa, said.

Hino, Japan's biggest truckmaker, which is affiliated with Toyota Motor Corp., revised its earnings projection to a net loss of 20.6 billion yen

(\$142.7 million) from its May forecast of a loss of 5.3 billion yen. It estimated its sales would be 219 billion yen, compared with its initial projection of 230.7 billion yen.

Hino also expects to report its first-ever net and pretax losses for the full-year ending March 31. It will also forgo paying a dividend, another first.

Japan's heavy-duty truckmakers — Hino, Isuzu Motors Ltd., Mitsubishi Motors Co. and Nissan Diesel Motor Co. — are suffering as the country's worst recession since World War II has choked off demand from

construction companies, their biggest customers. Sales of trucks with payloads of 4 tons or more have fallen to their lowest levels since 1980, when the Japan Automobile Dealers' Association began compiling records.

Hino plans to halt production of large and midsize trucks for about six days in the October-December period, Mr. Yuasa said. On Wednesday, Nissan Diesel said it may stop production for up to 12 days in the same period.

Hino's exports also declined because of the economic slowdown in Southeast Asia, Mr. Yuasa said.

RESULTS: Profit Shrivels Up at 3 Major Hong Kong Companies

Continued from Page 13
Short sellers are hoping to buy back these shares at cheaper prices and profit from the difference.

The surge in short selling suggests the government is having little success deterring stock-market bears.

In less than two weeks, the Hong Kong Monetary Authority has spent almost \$5 billion of its \$96.5 billion of currency reserves to buy stocks and safeguard the Hong Kong currency.

The Monetary Authority plowed back into the market Thursday after stepping back briefly Wednesday. The intervention reversed a decline of nearly

2 percent in the Hang Seng index in a matter of minutes, and the 33-stock index ended a little more than 1 percent higher.

Many analysts say the government cannot stop buying — or worse, sell — without sending stocks tumbling or even breaking the Hong Kong currency's 15-year-old link to the U.S. dollar.

Hong Kong has no easy way to exit the markets now that it has stepped in. To some fund managers, the intervention showed Hong Kong was no longer willing to pay the economic price of keeping its currency pegged to the dollar.

Under the currency-board system, interest rates rise whenever pressure on the Hong Kong dollar mounts. Hong Kong can no longer afford the peg now that it is mired in its deepest recession in a generation, analysts said.

When the buying began, the authority's chief executive, Joseph Yam, said the government was trying to hurt investors who sold stocks short while simultaneously selling the Hong Kong dollar, which is pegged at about 7.8 to its U.S. counterpart.

Those investors were trying to drive up interest rates so stocks would fall and they could profit by buying back shares at cheaper prices.

MALAYSIA: Too Late for Denials as Recession Becomes Reality

Continued from Page 1
dampened hopes that a recovery would come anytime soon.

Daim Zaiduddin, the economic "special functions" minister, suggested that after months of trying to downplay the extent of the crisis — or cast blame outside to currency speculators, the foreign media or even a Jewish conspiracy — politicians are finally conceding that Malaysia now faces a meltdown as severe as Thailand and South Korea.

And at least part of the

problem is home-grown, some now say.

"We must not expect an 8 percent growth rate in the future. Those were the good old days," Mr. Daim said. "I think we are facing reality now and saying the good old days will not return."

Since July 1997, when Thailand triggered the regionwide collapse by floating its beleaguered currency, the baht, Malaysia's currency has lost 40 percent of its value, its stock market has lost 75 percent of its worth, local banks have frozen all loans, new construction has halted, and

joblessness — once unheard of here in a country that had to import labor — is around 4 percent to 5 percent.

While part of the overall Asian contagion, the nature of the economic crisis here differs in several key respects.

Thailand and Indonesia are saddled with a massive foreign debt burden that ballooned when the currencies of those countries collapsed relative to the U.S. dollar.

Here, the crisis is almost entirely domestically driven, with private debt held by domestic banks. Banks, told to rein in their bad debt, essentially have stopped making any loans at all, choking off

most private-sector activity.

But where Thailand, South Korea and Indonesia have turned to the outside world for help, Malaysia is instead banking on its own homegrown solution. This is a stimulus package favored by Mr. Mahathir that aims to revive economic activity by lowering interest rates and using government spending on big-ticket projects.

Some here question the wisdom of choosing a stimulus package without first implementing some of the structural reforms and liberalizations mandated in some International Monetary Fund programs.



You're looking at one of the most powerful spaces in the world

KOREA: Output Takes Plunge

Continued from Page 1
decline in the first quarter.

The negative statistics represented a reversal from more than 30 years of almost unbroken progress in which the gross domestic product shot up by an average of 8 percent a year in what has been dubbed the "Korean miracle." Even in the last quarter of 1997, as the economy slipped into crisis, output rose by 3.9 percent.

"The only thing they can do now is try to prevent depression setting in next year," said Stephen Marvin, head of research at Jardine Fleming. "We are clearly in deep recession."

Another sign of economic shrinkage was an 8.5 percent drop in wholesale and retail earnings, on top of a 5 percent

drop in the first quarter.

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FMC MIR SICAV
 Société d'Investissement à Capital Variable
 10A, Boulevard Royal, LUXEMBOURG
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NOTICE OF MEETING

The Board of Directors proposes to the shareholders of FMC MIR SICAV ("the Fund") to amend the Articles of Incorporation of the Fund ("the Articles") in order to introduce the fractionalized and bearer shares to one thousandth of a share.

In consequence the Article 5 will be amended and a draft of the amended Articles of Incorporation may be obtained upon request at the Fund's registered office.

For that purpose, the shareholders are hereby convened to an Extraordinary General Meeting to be held at the Fund's registered office at 10A, Boulevard Royal, Luxembourg.

on Wednesday September 23, 1998 at 14:00

The required attendance at the meeting is at least 50% of the shares constituting the Fund. In order to be entitled, the resolution need to be approved by a majority of two thirds of those shares present or represented at the meeting. Each share carries one vote irrespective of its net asset value.

In order to attend the meeting or to be represented, the owners of bearer shares are required to deposit their shares five clear days prior to the date of the meeting at the Fund's registered office where proxy forms are available.

The present notice and a proxy form have been sent to all registered shareholders. The registered shareholders have to inform by mail (letter or proxy form) the Board of Directors of their intention to attend at the meeting to the same day.

By order of the Board of Directors

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quotations supplied; (4) - daily; (5) - weekly; (6) - bi-monthly; (7) - fortnightly; (8) - regularly; (9) - twice weekly; (10) - monthly; (11) - twice monthly.

The 1,000 most traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press

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Thursday's 4 P.M. Close
(Continued)

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WORLD ROUNDUP

Research Planned On Muscle Drugs

BASEBALL In the wake of Mark McGwire's admission that he has been using a testosterone-producing pill, Major League Baseball and the players' union have asked doctors to research the players' use of muscle-enhancing supplements. The announcement was made jointly by Commissioner Bud Selig and the union chief, Donald Fehr. "Obviously, the health of our players is of vital concern for all of us and we want to take every precaution to assure they receive the most accurate medical and scientific information," Selig said. Fehr made it clear that major league players using androstenedione were not violating any baseball regulation. A joint commission of doctors from the commissioner's office and the union are to gather information and consult with other experts on the use of nutritional supplements by players. (AP)

Laver Out of Hospital

TENNIS Rod Laver, looking good and speaking clearly, was discharged from UCLA Medical Center on Thursday, a month after suffering a moderate stroke. "I'm glad to be out of there," the tennis great said with a smile from a wheelchair. "There's not much to do when you're recuperating. I watched a lot of tennis and golf." Laver, 60, is the only player to win the Grand Slam of tennis twice. He suffered the stroke on July 27 during the taping of a television interview. He was hospitalized in the intensive care unit until Aug. 12, then placed in the medical center's neuro-rehabilitation center. "He's doing fantastic," said Dr. Eric Aldrich, a neurologist who has been working with Laver for the past two weeks. "His strength is coming back. His coordination and balance need some work. He's right on course." (AP)

Furor Over Poland's Bid

OLYMPICS Poland's bid for the 2006 Winter Olympics at the mountain resort of Zakopane was criticized Thursday by ecologists, some politicians and a government environment official. Prime Minister Jerzy Buzek and President Aleksander Kwasniewski gave their formal support for the bid this week. But the criticism showed that division exists over staging the Olympics in the Tatra mountains near the Slovakian border, 250 miles (400 kilometers) south of Warsaw. Part of Zakopane belongs to the Tatra National Park, established in 1954 to protect the area's plants and wildlife. The park was designated a natural reserve in 1992. Marian Cieslik, head of the government's environment protection department, said the construction needed to stage the Games at Zakopane would violate a law protecting national parks. The park contains Kasprov Wierch, Poland's tallest mountain at 1,987 meters (6,557 feet). (AP)

McGwire Hits Back At Sosa With No. 54

By Ira Berkow
New York Times Service

ST. LOUIS — It seems that Mark McGwire is deliciously enjoying making mini-dramas out of his pursuit of Roger Maris' single-season home run record. Just as it appears that Sammy Sosa of the Chicago Cubs is nipping at his home run heels, McGwire belts yet another.

The scenario, followed several times now in the last few weeks, saw Sosa hit

Now, facing Justin Speier, a right-hander for Florida, McGwire swung and fouled off the first pitch. On the second, he hit it with the sound of a cannon shot, to dead center field. It easily cleared the fence and landed 509 feet (155 meters) from home plate. It was his 54th homer of the season and placed him just eight short of breaking the Maris record. The Cardinals have 30 games left this season.

The crowd of 30,004 stood and cheered, as has become its custom for McGwire, and fireworks exploded in the night air. Of course, he took his curtain call or the fans, standing, would not have let the game continue.

McGwire became just the third National League player to reach 54 homers in a season and the first since 1949, when Ralph Kiner hit that many.

There have been only nine players (including McGwire in 1997, with 58) to have hit 54 home runs. Babe Ruth (four times) is the only player to have done it more than once.

McGwire's 53d home run came two games ago, against Pittsburgh.

His records are piling up. In the last couple of weeks he broke his own major league record for home runs (111) by a right-handed batter in consecutive seasons and he set a major league record with 162 homers in three successive seasons.

NL Roundup

a home run Wednesday afternoon in the Cubs' 9-2 rout of the Reds for his 52d of the season, just one behind McGwire.

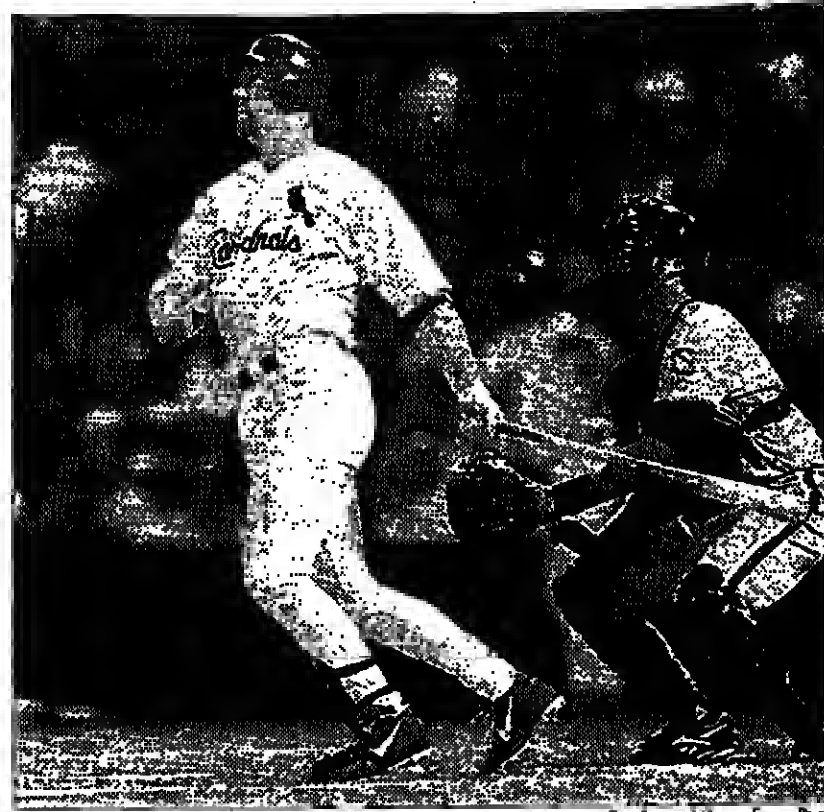
"I was aware that Sammy had hit another home run," McGwire said after his game. "The television was on in the clubhouse. It's exciting. I get the feeling everybody in America is watching. They're having fun. I'm trying to."

McGwire, not looking terrific at the plate in his first three appearances against the Florida Marlins on Wednesday night in Busch Stadium, came to bat in the bottom of the eighth inning with a teammate on third, none out and the St. Louis Cardinals leading, 1-0. He had previously hit two towering flies to center field and once he was called out on strikes.

Chasing the Record

Home run tally for two contenders to break the season record of 61 homers set in 1961 by Roger Maris (right).

MARK MCGWIRE	SAMMY SOSA
54 Two-run homer in 8th inning vs. the Marlins on Wednesday	52 Solo homer in 3d inning vs. the Reds on Wednesday
Maris through 132 games; 51	



Mark McGwire connecting, against the Marlins, for his 54th home run.

Before Wednesday night he was on pace to hit 66 homers this season, and he has raised that projection yet again.

Not only did the game grow increasingly exciting in regard to the home-run chase, but it took on a strange tone as the Cardinals scored three more runs after McGwire's two-run shot, giving them a 6-0 lead. Then the Marlins came back with six runs in the top of the ninth — three of them against John Foscato, who was booed until he was removed from the game without getting anyone out.

The Marlins scored once in the top of the 10th.

McGwire led off the bottom of the inning with a single, but the Marlins shut the Cardinals down and Florida won by 7-6. The Cards were shocked.

"No," said McGwire after the game. "I can't enjoy the home run."

In other games, The Associated Press reported:

Mets 4, Giants 1 Hideo Nomo pitched a three-hitter and struck out 10 as visiting New York retained its lead in the National League wild-card chase.

Braves 6, Astros 2 In Houston, John Smoltz won his eighth straight decision and Javy Lopez hit a two-run homer, snapping the Astros' five-game winning streak. Smoltz (13-2) allowed five hits in seven strong innings.

Padres 2, Phillies 0 Joey Hamilton pitched seven strong innings and Steve Finley homered for visiting San Diego.

Braves 6, Rockies 5 In Denver, Bill Pulsipher pitched six shutout innings for the winners, Jeff Cirillo hit a home run and Phil Garner earned his 500th victory as a major league manager. Pulsipher (2-1) gave up two singles, struck out two and walked one.

Pirates 4, Diamondbacks 3 Kevin Polcovich drove in three runs as the visiting Pirates won their ninth straight game. Jeff Tabaka (2-1) got the victory in relief of starter Chris Peters.

Reds 4, Expos 3 Eric Young's home run with two out in the bottom of the ninth inning lifted Los Angeles Dodgers over Montreal.

Montreal had tied it with two runs in the top of the inning before dropping its seventh straight game.

Jeter's Single Helps Yankees To Brake Skid After 4 Losses

The Associated Press

With the New York Yankees on their worst losing streak in nearly a year, Derek Jeter stopped the skid with a run-scoring single in the ninth inning to lead New York over the Anaheim Angels, 7-6, in the second game of a day-night doubleheader.

In the opener on Wednesday at Yankee Stadium, Reggie Williams hit a go-ahead, two-run homer as Anaheim won.

AL Roundup

6-4, for the Yankees' fourth successive loss. The Angels' Jeff Juden (1-2) was victorious for the first time in his last 11 starts, allowing four runs and three hits in six innings.

In the nightcap, the Yankees wasted a 5-1 lead built largely by Homer Bush's first major league homer, a three-run shot in the fifth off Steve Sparks. But with the score tied at 6-6 in the bottom of the ninth, Mike Fetters (2-7) walked Jorge Posada, Scott Brosius sacrificed against Shigetoshi Hasegawa and Bush advanced the runner with a groundout. Jeter then singled to right.

Red Sox 7, Athletics 4 In Boston, Darren Lewis delivered the tie-breaking hit for the second consecutive game with a two-run single in the eighth inning.

Lewis, who homered leading off the seventh inning of Boston's 3-2 victory on Tuesday, grounded a bases-loaded single through a drawn-in infield to give Boston a 6-4 lead.

Indians 5, Mariners 3 In Cleveland, Manny Ramirez hit his 32d homer and second in two nights and rookie Richie Sexson was 4 for 4 with a homer.

Rays 7, Blue Jays 2 Tim Lincecum pitched a three-hitter and Dean Palmer hit a three-run homer for visiting Kansas City.

Belcher (12-10) retired the final 17 in winning for the first time in his last four starts.

Tigers 7, Devil Rays 3 Bob Tewksbury won in his first start since he came off the disabled list for visiting Minnesota. It was the Devil Rays' fifth straight loss.

Tewksbury (6-9), who had been sidelined since mid-July by a sore right shoulder, allowed two runs and four hits in five innings.

Rangers 5, Tigers 0 Juan Gonzalez drove in four runs to raise his major league-leading total to 133, pacing host Texas over Detroit.

Gonzalez went 3 for 4 with two doubles and a single as the Rangers stayed within three games of first-place Anaheim in the American League West.

White Sox 12, Orioles 5 In Chicago, Frank Thomas hit his 25th homer and tripled, driving in four runs as the White Sox beat sliding Baltimore.

Thomas homered to cap a six-run second when the White Sox did all their scoring with two outs, and he hit a two-run triple in the sixth. Despite a subpar season in which he has batted around .250 for most of the year, Thomas now has 86 runs batted in.

The Orioles have lost five of six and their chances of winning a wild-card spot grow more remote each day. Baltimore trails Boston by 10 games for the slot.

At U.S. Tennis Open, Enticing Men's Matchups

By Christopher Clary
New York Times Service

NEW YORK — The women came first at the U.S. Open draw: It was both a symbolic gesture to honor the 25th anniversary of equal prize money at this tournament and a clear reflection of the current appeal and strength of the women's game.

But when the names of the last seeded players had been picked at the National Tennis Center on Wednesday, the men's draw had, as usual, produced the more interesting early matchups.

The second-seeded Marcelo Rios, the struggling Chilean who has played catch with the No. 1 ranking this season, must face Daniel Vacek in the first round. This is the same Vacek who beat Rios, 6-3, 6-2, on a Cincinnati hardcourt this month.

The third-seeded Patrick Rafter, the defending men's champion here, must face Hicham Arazi, the left-handed Moroccan trick-shot artist who is quite ca-

pable of the sublime, the ridiculous and the upset.

The sixth-seeded Greg Rusedski, the hard-serving neo-Briton who lost to Rafter in the final last year, must play Wayne Ferreira, a former member of the Top 10 who has a 4-3 career edge over him.

The No. 12-seeded player, Jonas Bjorkman, the likable Swede, must play Cedric Pioline, the versatile Frenchman who has reached the semifinals at every Grand Slam event except the Australian Open.

The No. 15-seeded Alberto Berasategui must face the aging but still dangerous Thomas Muster in a match that would draw a bigger crowd on Paris clay than Queens Decoturf.

In short, it may not take long for several seeded players to stop germinating at the Open, which begins Monday. Pete Sampras should not be among the early victims.

The top-seeded Sampras, who will attempt to equal Roy Emerson's record

of 12 Grand Slam singles titles, drew Marc-Kevin Goellner of Germany in the first round.

The only other seeded American man is No. 8, Andre Agassi, who has had a fine season and is in the same quarter of the draw as Sampras.

"At least this year, that hasn't worked out too well for Sampras," said Tom Gullikson, the American Davis Cup captain, referring to Agassi's 2-1 edge over Sampras in 1998.

Despite the continuing success of Sampras and Agassi, American men's tennis is clearly on the decline. Only nine American men were accepted directly into the main draw this year. That is the lowest total in the event's history by a wide margin: The previous low was 13 in 1997, and the high was 74 in 1981.

American women appear to be heading in a different direction.

The No. 2 seed, Lindsay Davenport, has been the world's best player in the last month and has a comfortable draw.

So does the sixth-seeded Monica Seles, winner last week of the Canadian Open. The fifth-seeded Venus Williams was a finalist here last year, losing to Martina Hingis.

If Williams has recovered from her chronic knee problems, she also should have little trouble with her first-round opponent: Elena Wagner of Germany.

Hingis will play a qualifier but could have a greater test in the second round when she plays Anke Huber of the 1997 French Open champion, Iva Majoli.

In past U.S. Opens, the third-seeded Jana Novotna might have been an underdog against Jennifer Capriati in the first round, but Capriati is still chasing the shadow of her consistency and on-court success as a teen-ager.

The five-time U.S. Open champion Steffi Graf is also searching for her previous form. Graf skipped the Open last year after knee surgery and though she is ranked only 38th, she is seeded eighth. She has not lost a singles match at Flushing Meadows since 1994.

SCOREBOARD

MAJOR LEAGUE STANDINGS									
AMERICAN LEAGUE					NATIONAL LEAGUE				
EAST DIVISION					WEST DIVISION				
Team	W	L	Pct.	GB	Team	W	L	Pct.	GB
New York	55	26	.675	—	San Diego	48	37	.563	10 1/2
Boston	49	32	.606	16 1/2	San Francisco	47	38	.554	11 1/2
Baltimore	48	33	.593	17 1/2	Los Angeles	46	39	.543	12 1/2
Toronto	47	34	.580	18 1/2	Colorado	42	43	.494	16 1/2
Tampa Bay	49	31	.611	15 1/2	Arizona	30	54	.353	28 1/2
CENTRAL DIVISION					WEST DIVISION				
Cleveland	52	28	.649	—	Seattle	48	37	.563	10 1/2
Kansas City	41	39	.513	11 1/2	San Diego	48	37	.563	10 1/2
Minnesota	41	39	.513	11 1/2	San Francisco	47	38	.554	11 1/2
Chicago	39	41	.488	13 1/2	Los Angeles	46	39	.543	12 1/2
Detroit	31	49	.386	21 1/2	Colorado	42	43	.494	16 1/2
NATIONAL LEAGUE					WEST DIVISION				
Team	W	L	Pct.	GB	Team	W	L	Pct.	GB
Atlanta	48	37	.563	—	San Diego	48	37	.563	10 1/2

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Team	W	L	Pct.	GB	Team	W	L	Pct.	GB
Yokohama	39	40	.494	—	Nippon Ham	39	40	.494	—
Chunichi	37	42	.469	2 1/2	Kia Tigers	37	42	.469	2 1/2
Yomiuri	35	44	.443	4 1/2	Saitama	35	44	.443	4 1/2
Hiroshima	35	44	.443	4 1/2	Deia	35	44	.443	4 1/2
Hanshin	35	44	.443	4 1/2	Loft	35	44	.443	4 1/2

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FINAL					TRANSITIONS				
Team	W	L	Pct.	GB	Team	W	L	Pct.	GB
Vasco da Gama	2	0	1.000	—	CLEVELAND	4	0	1.000	—
O.C. United	2	0	1.000	—	DETROIT	4	0	1.000	—

NATIONAL FOOTBALL LEAGUE									
AFC					NFC				
Team	W	L	Pct.	GB	Team	W	L	Pct.	GB
San Diego	4	0	1.000	—	San Francisco	4	0	1.000	—

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Why Quit at the Top? Elway Asks

John Elway clapping after he completed an 80-yard touchdown pass for the Broncos during a pre-season game against the Packers.

Bowl. In the end, those close to Elway say, there was one factor bigger than most and preying on his biggest weakness: a desire to make everyone happy. And so, when it became obvious to Elway that the only chance for the Broncos' owner, Pat Bowlen, to remain in control of the

"In that time I realized I wasn't prepared. Johnny Bench told me he knew it was time to retire and had no regrets, but I wasn't sure I could say that. I wasn't prepared, but by saying it now — this is my last year — when the end finally does come, I'll be ready."



Dennis Rommedahl scored what proved to be the winning goal in the 100th minute, and a teammate, Gilles de Bilde, scored two minutes later to seal the victory as the Dutch advanced on a 5-3 aggregate score.

Manchester United, up 2-0 after the first leg, advanced after a 0-0 draw at

The German power Bayern Munich advanced, 5-1, after a 1-1 draw in Belgrade with the Yugoslav team Obilic. Bayern won the first leg, 4-0.

But it was bad news for Celtic. In Zagreb, Robert Prosinecki scored two goals in Croatia's 3-0 victory over Celtic.

In Spain, Athletic Bilbao won, 1-0, over Georgia's Dinamo Tbilisi and got through on the away-goal rule after a 2-2 aggregate. The Spaniards lost, 2-1, in Tbilisi two weeks ago.

So while Woods would like to have more victories this year, he is feeling no special urgency. He is 22. "I'm maturing as a player, and that's going to happen for a number of years," he said. "Hopefully, until the day I quit playing, I'll keep learning."

Newcastle earned a 1-1 draw against Chelsea last week, but that was not enough to save his job.

Dalglish, a former Liverpool star who managed the Reds and Blackburn, was

demanding a salary of £2 million (\$3.26 million) a year. He was replaced by Vialli, who took the Blues to the European Cup Winners Cup and English League Cup titles.

JUMBLE

THEY SCRAMBLED WORD GAMES
by Violet Amory and Steve Angell

Unscramble these four Jumbles. Write down the letters in the correct order, in form of ordinary words.

KUFLE

Write down the letters in the correct order, in form of ordinary words.

DEUXE

MIOGES

NOYCOT

Answer here:

**A SCIENTIST WHO
STAYS IN THE
LABORATORY
DOES THIS.**

How many of the clotted letters
found in sparkling names, and in
other words, can you connect
with the above categories?

WITH

Yesterday's Jumble: **USURP** What he wanted to do at the briefing
Answer: **USURP**

Panel 1: A boy and a girl are sitting on a park bench. The boy is speaking.

Panel 2: The girl is speaking.

Panel 3: The boy is speaking.

Panel 4: The boy is speaking.

ST MAN TO GO FALLS IN A TUB OF CREAM

AND HE WAS ALSO THE LAST

BY DAVE COVERLY

OH... SO THAT'S WHY UNCLE BEN AND I WALK THROUGH AGAIN?

YUP. IN A WAY, HE HAS NO CHOICE.

MIKE, I'M CUTTING YOU OFF.

KIDDER! KIDDER!

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ART BUCHWALD

'I Cannot Tell a Lie'

NEW YORK — President Clinton was not the first resident to admit that he lied. History tells us that George Washington perjured himself when he was 6 years old.

The story goes that the Washington family lived outside Fredericksburg, Virginia. When Washington was walking around with his father, they spotted a cherry tree on the ground.

His father, in honor, asked George who had chopped it down. George said, "Father, I cannot tell a lie. I chopped down the tree."

His father was furious and said, "Who asked you to tell the truth? Now, who chopped down the cherry tree?"

"I told you, I did," said George, "with my little hatchet. I know it was wrong, but it wasn't illegal."

Washington's father decided to take the matter to a cherry-tree DNA expert.

The expert took shavings off the ax and then matched them with chips on George's shoes. There was no doubt that George's footprints were all over the tree.

With this evidence, Washington's father said to George, "Someday you're going to be the father of your country, and therefore you are going to have to lie to the electorate. If you admit to chopping down my tree, the nation will think you've gone bonkers."

George replied, "If I ever hope to be first and foremost in the hearts of my countrymen, I must tell the truth and be willing to face the music."

His father disagreed. "It's nobody's business but yours. Don't let this tree ruin the great record that you will establish in leading our 13 Colonies through their formative years."

"I guess you're right, Father. I will say I was trout fishing when I heard the tree fall to the ground."

"Bravo," his father said. "Now let's move on."

A Chronicle of the Pain of Poverty

The Associated Press

NAIROBI — Photographs taken by children from the sprawling Mathare slum of Nairobi to illustrate their lives and hopes are on display at the Nairobi National Museum alongside the work of leading photojournalists from around the world.

The photos are part of a youth association project that is running alongside the World Press Photo exhibit.

"They have basic, inexpensive 35mm point-and-shoot cameras and are photographing aspects of their lives that they deem important and/or problematic, including family, community, environment health and personal issues," said Lana Wong, the exhibit's coordinator.

She said 32 youngsters from 12 to 17 were taking part in the exhibit, which was designed to encourage people to improve living conditions in slum areas.

Michael Munneke, project manager of World Press Photo, said that a competition in 1997 attracted 36,000 entries from around the world and the winning 200 photos form the exhibit, which runs through Sept. 14. The Web site for the project is: <http://www.munneke.com/childeye/>

Restoring a Treasure of Islamic Art in Morocco

By Michael Kimmelman
New York Times Service

MARRAKESH, Morocco — Not long ago, the imam at the Casbah mosque agreed to show an interested outsider the mosque's ancient minbar.

The idea was to compare it to the 12th-century minbar from the Kutubiyya mosque here, which conservators from the Metropolitan Museum of Art have lately restored and installed, to justified local fanfare, in the remains of the city's immense Badi Palace. The Kutubiyya's minbar is worth traveling halfway around the world to see. And it is not likely ever to go anywhere else.

Minbars are portable pulpits, decorated wooden staircases on wheels from which the imam addresses the congregation during Friday worship. It is often the most elaborate work of art in a mosque. Six years ago, the Met asked to borrow the Kutubiyya minbar for "Al-Andalus: The Art of Islamic Spain," a big loan exhibition. But it was too fragile to travel; in fact, it badly needed repair.

So the Met did something unusual in the museum world: It proposed to restore the minbar, never mind any exhibition. Maïrûkh Tarpor, the museum's associate director, arranged the deal directly with King Hassan II. Patti Birch, an honorary trustee of the Met who has a home in Marrakesh, offered to pay for the restoration. The Moroccans supplied craftsmen to help.

The whole deal took a while to get in motion, but two years ago, Met conservators and installation and lighting experts got started. They worked with a Moroccan architect, El Mostafa Hbihi, and several Moroccan woodworkers to shore up the minbar's rickety structure, secure loose panels, clean the surface and design a place for it in the Badi Palace Museum. The result is one of the most amazing sights in Marrakesh, a charismatic object, sublime and handsomely installed.

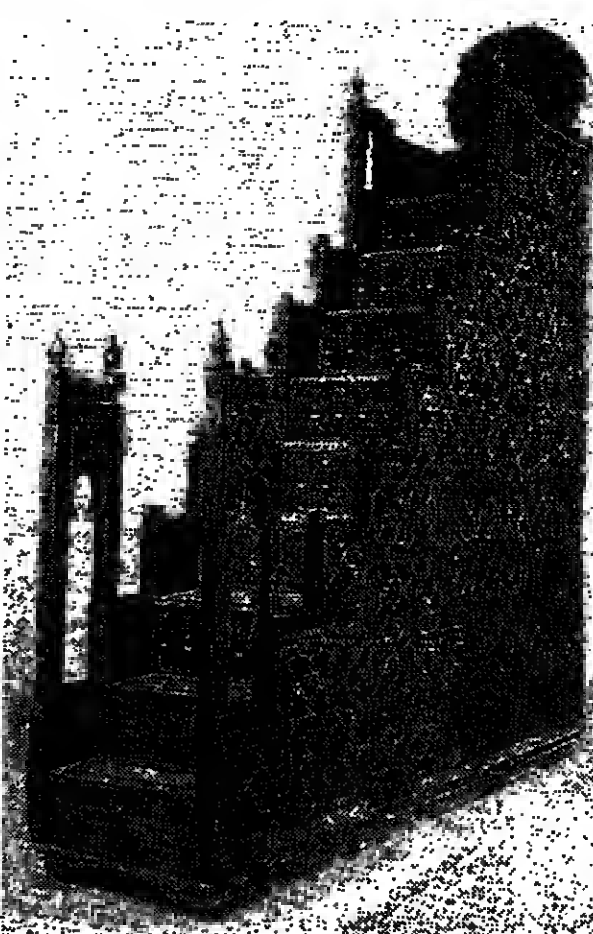
The smaller Casbah minbar is exquisite, too — though a wreck — and is still in use. So however they compare aesthetically, the two minbars have now become fundamentally different kinds of objects.

The Kutubiyya minbar, after all, is a modern museum object. Its display in the Badi Palace represents essentially U.S. exhibition standards and a Western approach to conservation. There are no interpolated carvings, for instance, as there are on the other minbar; the very idea of adding new touches to it seems outrageous, like trying to pass off a fake.

On the other hand, the Casbah minbar remains part of a culture seamlessly integrated with the past. It belongs to a living faith. Nearly as old as the Kutubiyya's, it could also be retired to a museum, though one can imagine its being treated quite differently.

Looking at it, it is possible to be reminded just how much modern conservation, like almost every other issue in art, is a matter of relative values and parochial aesthetics.

Western conservators, loyal to a secular museum culture, claim a certain objective rightness based on scientific devotion to a work's historical integrity. And this is a perfectly justifiable approach if you think in terms of museum objects.



The minbar of the Kutubiyya mosque in Marrakesh.

But which context is ultimately more faithful to the spirit of something like the minbar: the Casbah Mosque or the Badi Palace Museum?

Every generation has claimed to understand the intent of past artists. Restorers in previous centuries who saw the darkened Sistine Chapel ceiling were convinced that Michelangelo was a painter of shadows, so they added their own dark touches to his work, reinforcing a view of him that affected future restorers, and so the cycle of restoration proceeded. When an artist named Mazzuoli stuck darkening glue to the Sistine ceiling in the early 18th century, he was just reflecting the beliefs of his day, as restorers today, having cleaned away the grime, reflect the modern faith in science, technology and historic revivalism. A century from now, the ceiling will probably look as much like a work of late-20th-century restoration as the darkened ceiling looked like an anachronism.

The point isn't that the Kutubiyya minbar should be returned to the Kutubiyya mosque and put back into service. It was removed to storage years ago because people here decided that it was too precious to be used.

Commissioned by the Almoravid Sultan Ali Ibn Yusuf in 1137, it was made in Cordoba, Spain. More than 12 feet (3.6 meters) high, it originally consisted of more than a million differently carved pieces of bone and colored woods, some pieces the size of sesame seeds, in the shapes of stars, 'Y's, hexagons, arabesques, scrolling vines, palm trees, pine cones, blossoms, checkerboards and Arabic letters. (There are inscriptions cut from African blackwood and outlined in bone.) Pieces have fallen off during the last eight centuries, but the Met's conservators have painstakingly restored what is left.

A modern craftsman, as a test, recently took a week to reproduce, coarsely, one of the minbar's panels, and from this, experts guess that the whole minbar required 72,000 man-hours of labor.

It was shipped in pieces down the Guadalquivir River, across the Strait of Gibraltar and on camelback over the Middle Atlas mountains to Marrakesh, where it was re-assembled.

Someone has estimated that during the eight centuries it was rolled every Friday in and out of its closet in the mosque, the minbar traveled a total of 250 miles. Imagine rolling one of your family's heirloom dinner plates between New York and Washington, and you can estimate, more or less, the wear and tear.

The Met acted remarkably in the situation, committing resources to an object that doesn't directly benefit its audience. Skeptics may have asked why the museum was so generous. But one can't help wondering: If something equivalent from the West — say, a Giotto altarpiece — had been discovered abroad and needed repair, wouldn't U.S. museums have competed for the honor to restore it?

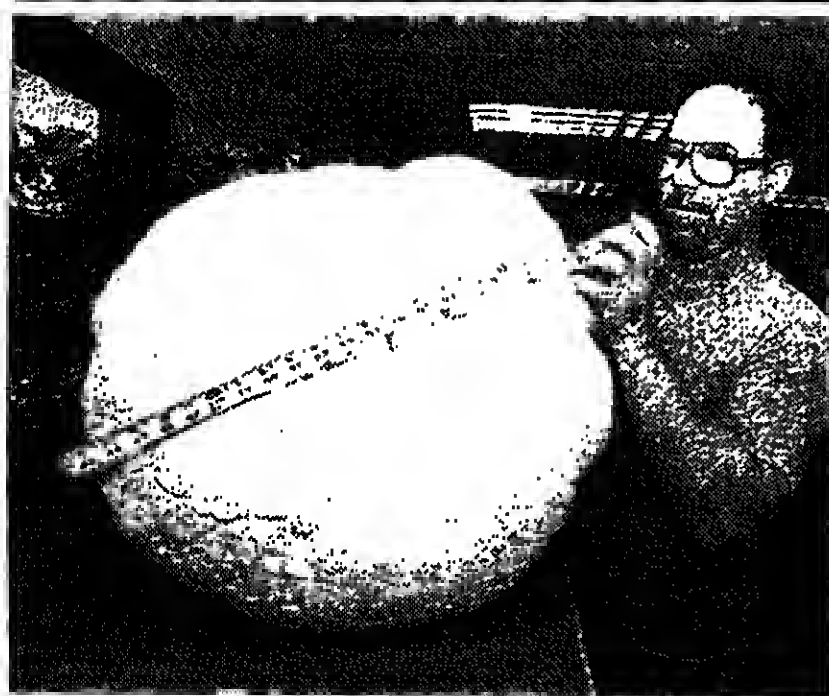
The Kutubiyya minbar has found a home in the most dramatic secular setting here: The vast, crumbling Badi is essentially a museum only for it, at least so far because no other objects are in it. The 16th-century palace was destroyed by the ruler Moulay Ismail in the 17th century, its gold, marble, onyx and ivory stripped and used to build a palace in Meknes, some 200 miles northeast of here. With a courtyard the size of several football fields, what is left of the Badi might plausibly be compared to the Baths of Caracalla in Rome.

The minbar occupies one of the few palace rooms that still has a roof.

There's nothing in Marrakesh quite like this mix of old with new: an up-to-date display in a ruin. At dusk, as visitors start to leave, storks, which nest on the Badi's walls during the day, descend into the palace courtyard to waddle around the reflecting pools and orange trees. The storks make a kind of clacking sound; they lean their heads way back and smack their beaks together. And as the noise of the city dies down a little, they sound like an orchestra of castanets, drowning out the coo of the doves that also live in the palace.

It's almost prehistoric. And suddenly a 12th-century minbar doesn't seem so old.

PEOPLE



A MONSTER — A Tonini measuring a 21-pound mushroom that grew to 76 inches in circumference in a neighbor's yard in Manitowoc, Wisconsin.

THE spiritual leader of Britain's Roman Catholics appealed Thursday for an end to the media hype that has greeted the first anniversary of the death of Diana, Princess of Wales. Cardinal Basil Hume said that Diana was no saint "but she did a great deal of good and was much loved by the nation." The first anniversary of her death in a Paris car crash last Aug. 31 has prompted blanket coverage in the British media. Cardinal Hume said on BBC Radio: "I would like to think now that we can get on with life and leave the hype behind. I would think that after this anniversary we can settle down and quietly say our prayers for Diana." ... Paris's mayor, Jean Tiberi, announced Thursday that the city, in agreement with the Spencer family and the British government, was creating a park in Diana's honor. The small park will be in the Marais district, next to a new day-care center, and will be devoted to teaching children about nature and gardening.

Engineers have restored the rotating

mechanism in the hut where George Bernard Shaw wrote plays, at the bottom of the garden of his former home in the English county of Hertfordshire. The playwright, who died in 1950 after living in the house at Ayot St. Lawrence for 44 years, had mounted the hut on a system of gears that permitted it to be rotated and follow the sun throughout the day.

Rehearsals are under way for the Manhattan Theater Club production of Terrence McNally's "Corpus Christi." The show about a gay Jesus-like figure attracted protests last spring from a Roman Catholic civil rights group and bomb threats and was removed from the club's schedule. It was reinstated after outraged artists accused the theater of being intimidated into self-censorship. With Joe Mantello directing, "Corpus Christi" begins previews on Sept. 22.

Computer Analysis of 'The Canterbury Tales'

The Associated Press

NEW YORK — Literary scholars are borrowing computer technology from the field of evolutionary biology to iron out discrepancies in 84 surviving manuscripts of Chaucer's "Canterbury Tales."

With help from research scientists, the team of Middle English scholars has adjusted a computer program to compare variations in the text and eventually develop a version of the 14th-century epic that they hope will convey a sharper sense of what Chaucer intended.

"This may lead editors to produce a radically different text of 'The Canterbury Tales,'" Peter Robinson of De Montfort and Oxford universities in England, who is directing the five-university team in the United States and England said in the journal Nature. It is the first time that every existing version of a classic has been analyzed using technology that was designed to trace the origins of plants and animals, according to the team.

Two donors have come to the rescue of the Houston Symphony Orchestra, with a gift of \$7.3 million that will wipe out its budget deficit, the orchestra announced. The Wortham Foundation, which has been the symphony's most significant benefactor, and the Houston Endowment, a Texas foundation, each gave \$3.65 million. The symphony's executive director, David Wax, said: "It's a big hunk of money."

Billy Joel says that recurring throat problems have forced him to postpone the fall leg of his world tour. Earlier this year, the singer canceled several concerts, including an appearance with Elton John, because of a respiratory infection.



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